Understanding Pay: Perceptions, Communication and Impact in For-Profit Organizations

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Understanding Pay:
Perceptions, Communication and Impact in For-Profit Organizations

A DISSERTATION SUBMITTED TO THE FACULTY OF THE
UNIVERSITY OF ST. THOMAS
ST. PAUL, MINNESOTA

By
Nancy C. Diekmann

IN PARTIAL FULFILLMENT OF THE
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St. Paul, Minnesota

Understanding Pay:
Perceptions, Communication and Impact in For-Profit Organizations

Dissertation for the Doctorate of Education degree by

Nancy C. Diekmann

We certify that we have read this dissertation and approved it as meeting departmental criteria for graduating with honors in scope and quality.

We have found that it is complete and satisfactory in all respects, and that any and all revisions required by the final examining committee have been made.

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ABSTRACT

This qualitative case study investigated pay perceptions and compensation communication in for-profit companies in the Midwestern United States. The purpose of this study was to explore how pay-related communication can be improved to benefit employees and their organizations. Labor costs are the primary expense of most organizations. The ability to optimize compensation strategies to attract and retain a high-performing workforce is vital to organizational success.

Interviews were conducted with 15 Millennial generation employees to capture what they know about compensation and learn what would increase their pay satisfaction. Employees articulated how they think about pay, what pay means to them, why it is a difficult topic to address, and what advice they would provide to their organizations on communicating pay.

The findings were analyzed using the lenses of symbolic interactionism, social solidarity and secrecy theories. Three main conclusions surfaced: (1) Employees have limited knowledge of how pay works; (2) Most employees value transparency around compensation; and (3) The link between pay and performance is unclear. This research did confirm the lack of compensation information restricts participants from understanding the relationship of pay and performance. A pay transparency continuum and a pay communication assessment model were provided to assist organizations in determining their pay communication approach. Three recommendations were identified to help organizations enhance pay communication: (1) Recognize the impact of pay secrecy on pay equity perceptions; (2) Determine the right level of transparency for the organizational culture; and (3) Transform managers into communication ambassadors for compensation. A future area of study to extend this research would be the influence of organizational culture on pay program design and communication strategy.
DEDICATION

This dissertation is dedicated to my family who silently made countless sacrifices to sponsor my education and encourage my curiosity. My parents instilled the value of education and my sisters provided their ongoing support and inspiration. May this research help pave the way to make the journey less bumpy for my nieces and nephews as they experience the world of work.

I would also like to dedicate this study to all compensation professionals and organizational leaders passionately working to shine a light on pay practices and encourage transparency and open communication.
ACKNOWLEDGEMENTS

“I alone cannot change the world, but I can cast a stone across the waters to create many ripples.”

Mother Teresa

This dissertation resulted from the work of many dedicated and talented individuals. All who had a voice in this process left an important impression on the outcome. Together we have created a “ripple” of change in our world.

Immense thanks go to my insightful dissertation committee for shaping this research. I was honored to have Dr. Deb DeMeester as my Committee Chair. She made this study a reality with her optimism, enthusiasm and unwavering belief this story needed to be told. I greatly admire her passion for research and ability to interpret data and give it a powerful voice. As a champion for organizational communication, Dr. Rama Hart helped me frame this research in a valuable and meaningful direction. Dr. Saado Abboud offered his pulse on the world of compensation to position this research to be applicable and actionable. I feel blessed to have had this trio of talent as my guiding spirit.

I bestow hearty appreciation to the 15 participants who allowed me to see into their lives and workplaces, openly sharing their stories and trusting me to deliver their message. I also owe a great debt to the 200+ people I tapped to find the research subjects to meet the criteria for this study. Little did I know identifying those willing to share their compensation stories would be such a demanding endeavor. My gratitude also goes to the compensation professionals, business leaders and Human Resources students who took time from their hectic schedules to contribute to the focus groups and validate the findings from this study.
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CHAPTER 1: INTRODUCTION

Organizations commonly communicate a pay for performance compensation philosophy is used to determine employee pay levels. Jones (2004) discovered a top goal for organizational compensation systems was to develop effective pay for performance programs. This philosophy aligns with the organization’s business strategy to direct leaders to distribute pay based on an employee’s performance level. Higher performance levels are rewarded with higher pay. Yet, as an employee it was unclear to me how my pay amount was determined.

Pay-related communication was rare and the organizational environment made it taboo to discuss pay. Many stories shared through the internal grapevine were wildly inconsistent with this pay for performance approach. My personal experience with pay left me confused about whether or not I was being paid fairly. In discussions with colleagues over the years I found this to be a common perception regarding pay. In spite of the fact that pay constitutes a major cost of doing business, communication was limited and employees often did not see a clear link between pay and performance. This concern inspired me to launch my research study to understand how employees perceive pay and how communication influences those perceptions. If companies have a goal of incenting employee performance through pay strategies, it is critical to understand how employees think about pay.

Introduction to the Study

In this study I share my personal observations on pay practices in for-profit companies. I state the problem and explain its significance as a subject of research. Next, I summarize the existing literature and provide an overview of the three main theories presented in this literature. I then outline three theories I used as my analytical framework for interpreting the data.
describe my methodology and research data followed by a theoretical analysis of the results. Finally, I provide conclusions and recommendations drawn from the analysis.

**Reflections as a Compensation Practitioner**

As I transitioned into a new career field of employee compensation, I began to see what went on behind the scenes in an organization’s compensation function. As a past manager, I was aware of the typical annual salary review process where I was entrusted with a small pool of money to allocate to my team of employees. It was accompanied with a numeric chart to guide this monetary distribution. Even with this tool it was a struggle to decide how to divide the pot of money in a fair and equitable manner. I found myself wishing the dollars were more generous to sufficiently compensate my work team.

Although it should be a pleasant task to award salary increases, I was apprehensive about the conversation announcing the pay increase to each employee because I lacked understanding of the company’s pay philosophy. I secretly hoped the employee wouldn’t ask questions that I couldn’t adequately explain. I wasn’t confident with my salary increase decisions since they were made with limited knowledge on how the organization determined pay levels. Pay practices were shrouded in mystery and I was programmed to be grateful for any pay increase I was fortunate enough to allocate. The same was true for those receiving pay increases. They should be pleased with any wage increase rather than question how it was determined.

It wasn’t until I joined the compensation profession that I realized organizations often have a formal compensation philosophy customized to fit the company’s overall business strategy. As a compensation professional, I was approached by employees emphatically stating they were significantly underpaid. When I explained the organization had a compensation philosophy with the goal to pay competitively their demeanor softened. In adding that the
company invested in salary data obtained by independent salary survey providers to assess pay competitiveness, a little more of their hostility vanished. It seemed a small amount of information made them feel less victimized. This stirred my interest in exploring the role pay communication played and whether it influenced employees’ level of pay satisfaction. Granted, this is a controversial topic; virtually everyone wants to be paid more. Not every employee who came to ask about their pay was elated when I educated them on what goes on in the background, but they often felt somewhat better being equipped with more knowledge.

As a compensation consultant, I have been intrigued by the controversy over what organizations decide to communicate about pay levels and pay practices. Some organizations closely guard pay-related information, which creates increased curiosity and suspicion. Other organizations prioritize educating employees on compensation strategies and practices, including the balance between paying competitively while also assuring the long-term financial health of the organization.

When I reflect on my own perceptions of pay communication, I cannot recall specifically being told not to discuss pay. It must have at least been implied that discussing pay was unprofessional, because I have maintained this perception throughout my career. As a compensation professional seeing the changing environment of our world today, I have decided it may be time to reconsider this stance.

When introducing the subject of compensation with a group, I often start with an interaction. First, I shake the hand of an individual and pay the person $1.00. Then I shake another person’s hand and pay that person $5.00. After shaking a third person’s hand, I pay that individual $20.00. Then I ask the group this series of questions:

- Was this distribution of pay fair?
• How did each person feel about the pay they received?
• What was their reaction when others were paid differing amounts for the same task?
• Would they rather not know what others were paid?
• Did they want to know why I paid different amounts?
• How did this interaction impact their perception of pay?

This simulation highlights the complexities and sensitivities involved in pay communication. Reactions to this experiment range from “I don’t care what anyone else is paid” to outrage about the prospect of others secretly being paid more. This typically generates an open discussion about compensation and unleashes the perceptions group members hold about pay communication. It also opens the door to educate the group on how organizations determine pay levels. Is ignorance bliss? If individual pay practices are confidential, are employees more satisfied with their pay levels? Alternately, do employees and organizations benefit by using a pay transparency approach? Is it advantageous to educate employees on how pay levels are determined?

I find compensation has a significant impact on individuals. People’s income level directly influences their lifestyles. It plays a role in everyday decisions including where they live, what type of car they drive, whether they take a vacation, or what they have for dinner. Income level is perceived as a form of status. For organizations, pay is often their largest expense and plays a major role in overall success. Organizations with the ability to procure a talented, high-performing workforce have a competitive advantage in the marketplace.

Because pay substantially impacts both individuals and organizations, a common expectation may be that the process of pay determination is finely tuned and clearly communicated. As a compensation consultant, I find the opposite to be true. Even for
organizations that diligently develop reward strategies to balance organizational and employee
needs, the result is often disappointing. Managing compensation is far more complex than I
imagined. Confusion and dissatisfaction frequently fester within the employee ranks.
Perceptions of pay are personal and diverse. What one person believes is generous pay another
person may view as completely inadequate. At times, organizational leaders have special
circumstances that necessitate bypassing the standard pay guidelines. To achieve the company
goals, they argue a more attractive pay level is required to engage top talent. Much emotion and
effort goes into garnering customized pay packages for preferred employees. The end results are
higher costs, inconsistency with pay practices and greater risk of noncompliance with required
compensation laws.

Compensation philosophy and strategy should guide the design and development of
salary programs for an organization. This ensures that compensation aligns with the overall
business strategy and vision. If a company has not clearly articulated a pay for performance
compensation approach to employees, the company is unlikely to achieve the goal of motivating
higher performance levels. Organizations need to relate rewards directly to performance and to
ensure the rewards align with what is deserved and desired by the recipients (Peters & Atkin,
communication link to company goals by stating “because employees are interested in
maximizing returns, low pay system communication lowers the possibility that individuals will
believe that such returns are possible” (p. 909).

In my experience some organizations keep compensation practices secret; others openly
communicate how they determine pay levels. Practices vary greatly from organization to
organization and industry to industry. Employers either allow employees to discuss pay openly
or require compensation levels to be strictly confidential. Compensation professionals develop pay for performance strategies to drive optimal allocation of salary. They focus on maximizing performance by designing compensation plans that strengthen the relationship between pay and performance. These professionals believe people perform better if incented by higher pay potential. I also believe if employees are unaware of this relationship between pay and productivity, this pay strategy becomes ineffective.

**Statement of the Problem**

The goal of aligning compensation strategy with business strategy is critical for an organization’s long-term success. If an organization underpays workers, it may not be able to retain a stable and productive workforce. Conversely, if employees are overpaid the organization may not be able to sustain itself financially for the long run and may succumb to bankruptcy. Confusion around organizational pay practices can create additional costs and negatively impact employee engagement. Pay secrecy may affect pay satisfaction, retention, motivation and performance (Lawler, 1967). Given the changing workplace and the lack of recent research, a deeper understanding of pay perceptions is needed.

The problem is a lack of understanding regarding employees’ perceptions of pay. Do employees harbor misperceptions around pay especially when pay practices are held secret? Ahlers (2012) described the perception of compensation as “unclear equals unfair” (*A Conversation with HR Leaders*). If employees are unclear how their pay is derived, they may perceive their pay as unfair. If pay is seen as arbitrary, it can foster a distrust that erodes the relationship between pay levels and performance. This research explored the perceptions employees hold about their pay and how communication influences their views. Should pay
practices be held secret or openly communicated? Can pay communication be leveraged for employee and business success?

**Significance of the Problem**

Labor costs are typically the largest expense incurred by organizations. To be successful, leaders in organizations must balance retaining a qualified, high-performing workforce with keeping costs manageable. As a compensation consultant, I’ve worked with employees and managers who look at the allocation of pay as a “black hole” with a mysterious secrecy. Pay is one of the most powerful tools organizations use to attract, retain and motivate talented employees (Wiley & Kowske, 2012). Lack of understanding and or a lack of communication on what the organizational compensation strategies are can inhibit employee performance and prevent leaders from effectively engaging a talented workforce. Employees may be less productive because they are unclear about how their performance impacts pay or may opt to move to other organizations that clarify how this pay relationship works.

Millennials, individuals born between 1981 and 1999, now represent the largest generational group in the United States numbering over 80 million people (Lancaster & Stillman, 2002; *Compensation Challenges for a Multi-Generational Workforce*, 2014). In Minnesota, Millennials comprise 28% of the population surpassing the Baby Boomers who represent the next highest population group at 25% (Helmstetter & Tigan, 2014, p. 11). Organizations are challenged with how to best reward employees of different generations. To address the significance of this shift in generational influence, this study targeted compensation-related communication to Millennials. Perceptions around pay for this generation can have a major impact on attracting and retaining a high-performance workforce now and in the future.
Need for the Study

How do employees in for-profit organizations perceive pay? Do employees understand how pay is determined? Does communication play a role in influencing views on pay? Employees working in organizations with open communication were more likely to understand the pay practices and believe they were paid fairly. When organizations practiced open communication, 81% of employees say they had a good understanding of how pay was determined. In organizations with closed communications, only 56% of employees reported they understood how pay was determined ("Perception is Reality," 2012, p. 11).

Mulvey et al. (2002) discovered the “subject of employee and manager pay knowledge is embryonic. It is striking how little academic research and practitioner discussion exists on the subject” (p. 1). Additionally, their study revealed that even less conversation on the subject of pay is occurring inside organizations.

Research Questions

This study examined how employees in for-profit companies perceive pay. I explored three research questions in this case study: (1) What attitudes and perceptions do employees hold about compensation? (2) What role does communication play in how these perceptions are formed? (3) How can pay communication be improved to benefit employees and their organizations? Through interviews, employees revealed how they think about pay, what pay means to them, why it is a difficult topic to address, and what they want to know.

How can organizations with a pay for performance strategy clearly communicate this expectation to employees? Would sharing more information on pay practices create unwanted controversy and distraction over a topic that is emotionally charged? Would restricting communication about pay have a significant impact on employee attitudes regarding pay?
Perceptions around pay allocation practices directly affect employee and organizational performance. This includes both the amount of work employees deliver and their company loyalty (Kwong & Leung, 2002). Communication around pay allocation influences perceptions of fairness. Some organizations choose to openly share pay practices and others think keeping pay processes secret is the best approach. Compensation professionals frequently implement pay for performance programs. However, when the difference between outstanding performance and mediocre performance results in only slightly different pay, the effectiveness of the concept is called into question.

Sparse research on this topic exists with most prior studies dating back to the 1960s and 1970s (Lawler, 1967; Schuster & Colletti, 1973; Leventhal, 1976; Futrell & Jenkins, 1978). At that time, pay was typically distributed equally across the organization. A more pronounced differentiation in pay is growing in popularity in business circles. With limited resources, companies focus on keeping the star performers by rewarding them with substantially above average pay increases. To balance the total salary increase budget available, employees who are merely meeting or marginally exceeding expectations are awarded below average increases.

The organizational landscape is vastly different now than it was several decades ago. Globalization has placed intensified competitive strain on organizations. Companies face even greater pressure to achieve financial goals. Maximizing employee productivity through optimal return on salaries, the most significant cost for many companies, is a critical element of economic success.

As a compensation consultant, I see organizations experiencing turmoil with a changing landscape around pay communication. Interest in the determination of pay and rewards has been influenced by: (1) a call for greater employee engagement; (2) increasing pressure to pay for
performance resulting in a shift toward more incentive-based pay; (3) growing outrage on excessive compensation packages for poorly performing organizations; (4) broader access to information via the Internet and social media; (5) a changing business environment with an increasingly diverse workforce; and (6) new regulations impacting compensation.

Exploration of the relationship between pay-related communication and employee performance can impact both the individual employee and organizational compensation practices. This study focused on illuminating the meaning of pay for employees in for-profit organizations and learning what influences the formation of these perceptions. Understanding this key relationship could lead to improved pay communication for both employee and business success.

**Overview of the Chapters**

Chapter 1 provides the purpose of the study and explains the problem and significance of pay communication. It outlines the research questions and provides background on how this issues impacts organizations. Chapter 2 summarizes existing research on pay perceptions and communication to identify what is already known and what gaps exist in the current literature. Chapter 3 outlines my research design methodology tracing the steps in the data collection and analysis processes. I also address research issues along with an introduction of the research participants. In Chapter 4 I report and organize the key findings into four main categories: what compensation knowledge currently exists, how this learning occurred, what were the communication challenges and what opportunities are available for improved communication and engagement. Chapter 5 is an analysis of topical and analytical theory applied to the research findings with emphasis on drawing key outcomes to enhance compensation communication. Finally, Chapter 6 provides a brief summary of this study and presents the main conclusions and
recommendations for application of this study. I also identify future research suggestions to complement my study.

**Summary of Introduction**

The purpose of this study was to learn what employees know about compensation and the role of communication in this learning. I also discovered what employees still want to know about pay that might facilitate better engagement with their organizations. Wages are the largest expense category for companies and the ability to use communication to link pay to higher performance can be a competitive advantage for businesses. The participants in this study represent the Millennial generation which has just recently become the largest generation in the workplace, surpassing Baby Boomers. Their growing influence on organizational policies and practices, including pay, has significant future impact for companies.
CHAPTER 2: TOPICAL AND THEORETICAL LITERATURE

Topical Literature

To determine what is already known about pay perceptions, I examined the existing literature on this topic. What follows is a summary of relevant literature that sets the stage for understanding issues related to understanding pay practices. I present this overview under the following categories: (1) Background; (2) Legislation; (3) Social Norms; (4) Allocation of Pay; (5) Employee Motivation and Perception; (6) Organizational Perspective; (7) Pay Satisfaction; (8) Pay Equity and Ethics; (9) Pay Communication; and (10) Communicating Pay to Millennials.

Background

The complexity and sensitivity around pay practices can make this topic difficult to study. Limited scholarly research is available on what factors affect the link between pay and performance and the extent to which employees understand pay practices. To understand the context of the compensation environment, I define the concepts of pay secrecy and pay transparency and provide a brief overview of how compensation practices evolved.

What is pay secrecy? For the purposes of this study, pay secrecy is defined as restricting the communication of compensation-related information. It includes formal organizational policies mandating confidentiality and imposing penalties for nonconformance. It also includes building a culture that prevents discussion of wage-related data. It encompasses a lack of communication and understanding of common pay practices such as determination of pay grades, salary levels, and the opportunity to earn higher pay. Pay information includes compensation philosophies and practices, individual salaries, pay ranges, salary grades or the processes used to determine pay levels. Confidentiality is a related term that implies information is not to be shared. In organizational settings, there are valid reasons for keeping certain
information confidential or secret. Proprietary company information may need to be confidential to keep it out of the hands of competitors or to uphold regulatory stipulations. It may also be for the protection of others or to avoid confusion.

What is pay transparency? Pay transparency describes a culture of open communication where pay practices are widely shared and well known. It implies an environment of accountability because it is easy for others to see what is going on. Actions are transparent and individuals have access to desired information. Each organization determines the level of transparency or secrecy they consider to be most effective. Also, at times perceived secrecy may be unintentional but occurs due to lack of communication.

Employers have the challenge of attracting, motivating and retaining high quality employees. From the simplest pay practices of past centuries to the current complex incentive plan configurations, the goal has been to balance organizational success and provide employees with an “appropriate” wage. The term “appropriate” is what can differ widely between organizations. Today, two major objectives in determining pay levels are internal equity of pay within the same organization and market competitiveness of pay with outside organizations.

Past practice has been to rank jobs in sequence by level of responsibility or importance and associate pay scales with those rankings. Those with a higher ranking would be allocated higher compensation. In the 1980s, job evaluation was mainly conducted by assigning points to jobs based on compensable factors of skills, knowledge, abilities and working conditions to determine pay levels (Job Evaluation Methods, 2011). In the 1990s, market pricing became the prevalent method for calculating pay values. Market pricing establishes a value for a job based on aggregate salary market data from incumbents in external organizations (Grigson, Delaney & Jones, 2004).
Although there is no specific law against individuals sharing pay information, organizations have discouraged conversation on pay. On October 14, 1919, a policy memorandum entitled *Forbidding Discussion among Employees of Salary Received* was circulated to employees at a magazine publisher. It stated salary was a confidential matter between the organization and individual. Anyone breaking this rule would be immediately discharged. The following day a policy memorandum response from employees was distributed entitled *Concerning the Forbidding of Discussion among Employees*. The response from employees stated they emphatically resented being told what they can discuss. To communicate their dissension, the employees then wrote their salaries on signs they hung around their necks. It was their way to rebel without breaching the policy by “discussing” their pay levels. This led to the organization ending its pay secrecy policy (Colella, Paetzold, Zardkoohi & Wesson, 2007).

Pay has evolved from piece rates and hourly wages, the norm during and after the Industrial Revolution. Since that time a large segment of the U.S. population has transitioned from working in manufacturing jobs to service jobs that typically base pay on an annual salary. The use of incentive pay has also increased and organizations now evaluate the total rewards offered to employees.

Total rewards are “the monetary and nonmonetary return provided to employees in exchange for their time, talent, efforts and results” (WorldatWork, 2006, p. 1.5). These total rewards include all forms of pay (salary, overtime, incentive, and bonus), benefits such as insurance on health, dental, and vision care, short-and long-term disability, paid time off, retirement contributions, and tuition reimbursement. Additionally, performance recognition, career development, and work-life balance options of flexible hours or telecommuting are also considered part of total rewards.
Legislation

A review of the evolution of pay legislation in the United States starts with Wage & Hour Legislation in the 1920s and 1930s. This was initiated by the need to protect workers from unreasonable pay and working conditions. In 1935, the National Labor Relations Act gave rise to unions and formally allowed collective bargaining. Also in 1935, the Social Security Act required federal insurance contributions to cover employees for retirement, disability and unemployment (U.S. Department of Labor (A)).

The 1938 Fair Labor Standards Act (FLSA) and the Equal Pay Act of 1963, which amended the FLSA, are the most significant laws covering compensation today (U.S. Department of Labor (B)). This legislation introduced a federal minimum wage, required overtime pay, and defined specific criteria for exemption from overtime pay. The Equal Pay Act addresses pay equity, requiring equal pay for equal skill, effort, responsibility, and working conditions. The 1964 Civil Rights Act established the Equal Employment Opportunity Commission (EEOC) to enforce these measures. The 1972 Equal Employment Opportunity Act increased the power of the EEOC to prevent and investigate unlawful employment practices (U.S. Department of Labor (A)).

There has been a recent resurgence of compensation legislation. The 2009 Lilly Ledbetter Fair Pay Act extended the period to file a pay discrimination claim (Lilly Ledbetter Fair Pay Act, 2009). Without access to what others earn, employees may not be aware of significant pay differences. The passage of this Act renewed the emphasis on pay transparency as a means to ensure pay equity. The Lilly Ledbetter Fair Pay Act amends the Civil Rights Act of 1964 stating that the 180-day statute of limitations for filing an equal-pay lawsuit regarding pay discrimination resets with each new discriminatory paycheck. The law was a direct answer
to the Ledbetter v. Goodyear Tire & Rubber Co., 550 U.S. 618 (2007), a U.S. Supreme Court decision holding that the statute of limitations for presenting an equal-pay lawsuit begins at the date the pay was agreed upon, not at the date of the most recent paycheck, as a lower court had ruled. This law was prompted by the fact Ledbetter did not know what co-workers’ pay was until after the statute of limitations ran out. In this context, pay secrecy was an obstacle to pay equity.

Also in 2009, the American Recovery & Reinvestment Act (known as the Stimulus Act) set compensation limits for businesses receiving Troubled Asset Relief Program (TARP) funds (Sloan, 2009). Increasing pressure was placed on Federal Reserve Chairman Ben Bernanke to release pay information of his employees to demonstrate transparency and fiscal responsibility to the public. The recent financial crisis “highlighted the potential for compensation practices at financial institutions to encourage excessive risk-taking and unsafe and unsound behavior” (para. 12). Transparency of pay was expected to promote greater accountability.

The most recent compensation-related regulation is the 2010 Dodd-Frank Wall Street Reform & Consumer Protection Act focusing on executive pay. It requires expanded disclosure and increased controls on executive pay, “say on pay” rules for shareholders, and stronger independence standards to avoid rewarding unethical behavior (“Dodd-Frank Financial Reform Act”, 2013, p.79). The landscape of pay communication has changed due to these recent new regulations.

Antitrust laws prevent private companies from colluding and setting fixed salaries. Under the regulations, salaries cannot be shared directly by organizations (Skonberg, Notestine & Sud, 2006, para. 9). An independent third party must confidentially collect salary data and report it in aggregate. A complete list of organizations participating in the survey is supplied, but
there is no reference to the source of specific salary data per job. For publicly traded companies, the compensation of the top five highest paid executives must be reported annually (Martocchio, 1998, p. 357).

One-third of United States private sector employers have enacted specific rules restricting employees from discussing their pay with co-workers (Bierman & Gely, 2004). Many other organizations have informal expectations that prevent employees from revealing pay levels. This practice conflicts with Section 7 of the National Labor Relations Act (NLRA), which protects employee rights to engage in “concerted activity for the purpose of…mutual aid or protection” (Bierman & Gely, 2004, p. 169). The National Labor Relations Board (NLRB) and the federal courts have regularly upheld the right of employees to talk about pay.

Social Norms

Rather than relying on enforcement of pay openness, another consideration is to look at the social norms about pay. Social norms are widely adopted behaviors society deems as appropriate. These norms could range from greeting others with a handshake to arriving on time for a meeting. Different cultures have different social norms and within a culture, norms can change over time. Social norms may generate indifference toward laws that conflict with social practice.

Not discussing pay is a social norm in the United States. The majority of employees are in favor of workplace pay secrecy policies citing their main reason as protection of privacy (Bierman & Gely, 2004). Some workers do not want pay revealed because others might think less of them, while others may not want to be seen as flaunting their wealth. Norms are influenced by organizational practices and policies. About 51% of employers surveyed reported they did not have a specific policy regarding pay confidentiality (More Employers Ducking Pay
Confidentiality Issue, 2001, para. 3). One in ten employers have pay transparency policies (Bierman & Gely, 2004).

Scott et al. (2008) conducted a study of 394 compensation professionals from the WorldatWork Total Rewards Association. They reported 38% of respondents discourage employees from discussing pay by delivering a verbal warning and 47% said nothing would happen if employees shared pay information (p. 16). One percent of participants stated their employees would be punished for revealing pay information and one percent said they hope that employees would share personal pay communications (p. 16). This indicates organizations in this study are relatively split between using a pay secrecy or pay transparency strategy.

For many organizations, it is an unwritten expectation to remain silent on pay levels. Employee interest in privacy is consistent with recent trends in American society toward increased individualism. Employers are also in support of privacy on pay to protect the proprietary nature of employee compensation plans and prevent poaching of employees by competitors if pay levels are known. Effective compensation programs can be a competitive advantage for companies (Bierman & Gely, 2004).

Hovenkamp (1994) believed systems for rewarding individuals were flawed; therefore communicating relevant information on the philosophy behind specific pay rewards may also be imperfect and result in misperceptions. Workplace pay transparency may encourage employees to influence their pay by persuading employers to increase their compensation. This ongoing effort can create potential conflict between employees and their managers. According to Brickley, Smith & Zimmerman (2004), leading economists contend employers engage in pay secrecy because the cost of manipulative employee behavior resulting from pay transparency results in lost productivity and lower performance.
Bierman and Gely (2004) proposed for the norms against discussing wages in the workplace to continue, they must result in a net gain in the welfare of those affected in the workplace. Benefits include reduction of workplace conflict, more efficient distribution of pay, and greater flexibility and differentiation in pay decisions.

Social comparison theory states that people will compare themselves to others as a basis for self-evaluation (Noy, 2007). In organizational settings, employees will compare their pay to co-workers. Without accurate salary information, misperceptions on pay could lead to unfavorable comparisons. Pay secrecy can be harmful to organizational performance by limiting motivation and adding to perceptions of inequity.

Leventhal (1976) introduced a framework for predicting the behavior of a person allocating rewards. Rewards and resources serve three main functions:

1) Resources are required for the conduct of activities that solve task or socio-emotional problems

2) Rewards reinforce and strengthen recipient behavior that contributes to the solution of problems

3) Rewards and resources make group membership attractive to recipients and strengthen their loyalty (p. 92)

An allocator typically uses rewards and resources to steer behavior toward the solution of group problems. This demonstrates that pay as a reward, when properly distributed, can motivate toward the accomplishment of goals.

To spur the debate, there are also valid reasons to keep pay levels secret. Managers are less likely to distribute pay on the basis of differences in expected future performance when they believe recipients will compare their pay. When they believe a comparison will not be made,
managers do not need to explain why they awarded different pay increase amounts (Peters & Atkin, 1980). If the organizational culture and compensation philosophy promote pay for performance, an environment of closed pay communication may best serve this goal. Danziger and Katz (1997) added that employers adopt pay secrecy to help prevent employee opportunism. They also point out wage secrecy restricts job mobility by reducing the ability of workers to find higher-paying firms.

**Allocation of Pay**

According to Bartol and Martin (1989), secrecy makes it easier to allocate pay arbitrarily since decisions are confidential. There is evidence that under open pay conditions, pay increases tend to be equal (Leventhal, Karuza & Fry, 1980; Leventhal, Michaels, & Sanford, 1972; Major & Adams, 1983). However, Bartol and Martin found the opposite results in their study with mid-level bank managers. In allocating pay, the managers were more generous to a focal employee with high dependence (specialized expertise not easily obtained elsewhere) and dependency threat (demand for better pay or conditions), only when pay was open. Pay secrecy or openness may influence managerial pay allocation when there are significant multiple pressures for substantial pay raises. Managers may use pay reward as one means of managing important dependencies on employees.

A public example of pay allocation going awry took place in Bell, California. Bell is located southeast of Los Angeles, a city of just under 38,000 residents and fewer than 200 city employees (Gottlieb & Vives, 2010, p. A1). It is comprised of mainly working class families. Salaries for the top city officials were:

- City Administrator – $787,637
- Assistant City Manager – $376,288
• Police Chief – $457,000
• City council members (4 out of 5) earned more than $100,000 for their part-time position (p. A1)

The fifth council member was paid about $8,000 per year and was unaware his counterparts were receiving so much more (Gottlieb & Vives, 2010, p. A1). The disclosure of the high salaries of the top government officials resulted in outrage with taxpayers and a renewed accountability to align salaries to appropriate levels.

**Employee Motivation and Perception**

Lawler’s (1967) psychological research indicated pay could motivate high performance. The practice of some organizations of keeping pay confidential may work against this motivational factor. Lawler found under conditions of pay secrecy, employees underestimate the pay levels of their managers and overestimate the pay levels of peers and lower level positions. Pay secrecy hides the relationship between pay and performance. Underestimating a manager’s compensation level reduces the attractiveness of being promoted as an outcome of good performance. Lawler pointed out pay secrecy diminishes the value of having pay differentials based on performance. Withholding information about how pay is allocated can generate mistrust and lead to an assumption that individuals are underpaid.

Schuster & Colletti (1973) studied 575 professional employees in a major division of a large firm. They found performance level is not related to preferences for pay secrecy. Their results indicated respondents were evenly divided. Measures of feelings on fair pay were aligned with a preference for pay secrecy. The only variable with a statistically significant difference was education. Survey participants with a graduate degree thought pay should not be kept secret, while participants with a bachelor’s degree or without a degree favored pay secrecy. The authors
did not offer an explanation for this distinction. Employees with graduate level education would typically have higher earnings so they may be more comfortable sharing salary data. Or those with advanced education may be thinking more strategically about the overall organizational benefits a transparent pay system can deliver.

After surveying employees in 184 organizations, Miner (1974) reported the advantages of open pay systems as (1) better relationships; (2) increased confidence in the compensation system; and (3) high trust levels in the organization. Miner also reported disadvantages to open pay. Pay secrecy minimizes quibbling about who gets how much and why. Open pay communication can result in misunderstandings and petty complaints. Pay transparency may be threatening to managers who play favorites or those who allocate pay evenly to avoid dealing with poor performers. A key finding of this study suggested opening up pay communications could be a motivator of employee performance, but it is dependent on the organization’s culture.

A study of 149 employed graduate students confirmed the need to evaluate the organizational context to determine if pay secrecy or pay transparency policies work best (Day, 2007). The results indicated that few organizations provide pay information beyond communicating salary ranges. The study concluded pay communication may have a smaller impact on attitudes about pay than managers expect.

**Organizational Perspective**

Kovac (2005) argued the organizational culture determines if it is appropriate to practice open communications. Reasons why organizations would adopt a communication strategy of transparency include:

- Showing the pay practices are both fair and defensible
- Minimizing the fear of the compensation program being unfair
• Increasing employee understanding of how a job’s value is determined
• Assisting employees in what they need to do to advance their careers (p. 1)

Based upon the organizational culture, it could also be appropriate to practice closed communications. For these organizations, some of the reasons they would not communicate include:

• A pay philosophy/strategy might be difficult for employees to understand
• Senior management buy-in would be required
• Competitive advantage could be compromised
• Employee confusion could increase if information is not clearly understood (p. 2)

Communications on pay may affect performance in addition to influencing pay fairness and inequity. Understanding the relationship between pay and perceptions of fairness can enhance the employers’ ability to align compensation practices to retain and engage employees.

**Pay Satisfaction**

In an experiment comparing pay conditions of publicity and secrecy with performance feedback conditions, no relationship was found between these interactions and pay satisfaction levels. Fossum (1976) split subjects into these four combinations of pay and performance treatments:

1) Public posting of pay and performance
2) Public posting of pay without performance feedback
3) Private communication of pay and public posting of performance
4) Private communication of pay without performance feedback (p. 271)

Based on the satisfaction questionnaires the subjects completed, there was no preference for a public pay program. Another interesting finding was that pay treatment satisfaction should be
viewed as a within-person, rather than a between-person variable (Fossum, 1976). This highlights the importance of considering differences in intrinsic and extrinsic perceptions of pay.

Wages are a central issue in many labor union-organizing campaigns. In the typical workplace, employees are poorly informed about their co-workers earnings, and the subject of pay is generally taboo for discussion. Unions sometimes step into this void promising pay will be better and more fairly distributed if the union is elected. An argument can be made that workers who are ignorant about colleagues’ pay and the company's pay practices are more likely to believe the union's promises (“Less Secrecy about Pay Yields More Employee Satisfaction,” 2003).

Secrecy apparently blurs managers' perceptions of what others earn; they overestimate the salaries of peers and of subordinates and this can lead to greater pay dissatisfaction and the belief that job performance is rather unimportant in determining pay (Dunnette, Lawler, Weick & Opsahl, 1967). Conversely, pay transparency raises concerns that competitors will have easier access to poach employees (Sloan, 2009). If salaries are common knowledge, it will increase competition for talent. Till and Karren (2011) stated, “Pay satisfaction may be enhanced in an organization where pay information is available and pay decisions are understood” (p. 52).

Mayo Clinic, a premier health care organization, used a strategy of transparency and communication to significantly improve pay satisfaction without increasing pay levels (Christofferson, 2012). After receiving a low pay satisfaction score on a 1999 employee survey noting that pay levels were unpredictable and difficult to understand, Mayo Clinic decided to be more transparent. They reviewed their current pay plans, made simplifications and extensively communicated their pay practices. By 2011, the same employee survey reported Mayo Clinic’s pay satisfaction had soared to 82% (Christofferson, p. 23). A key finding from their survey
revealed “employees prefer to receive information and communication about their pay through their supervisor or manager” (p. 20).

**Pay Equity and Ethics**

A gender pay gap continues to exist in spite of legislation (Brockett, 2008). Despite legal initiatives over the last 80 years, women are still paid only 80% of what males in similar positions are paid (p. 9). Pay discrimination based on ethnicity, age, disability and other factors also exist. Hegewisch et al. (2014) reported a significant pay disparity.

The gender wage gap in the United States has not seen significant improvement in recent years, and remains a reality for women across racial and ethnic groups. In 2013, the ratio of women’s to men’s median weekly full-time earnings was 82.1%. Real earnings have remained largely unchanged since 2012; women’s median weekly earnings increased by $5 to $706 in 2013; men’s median weekly earnings increased to $860, a marginal increase of $7 compared with 2012. (p. 1)

Worker behavior in an efficiency-wage environment indicates co-workers' wages can influence a worker's effort (Charness & Kuhn, 2007). Theoretically, an increase in workers' responsiveness to co-workers' wages should lead profit-maximizing firms to compress wages. Laboratory experiments, by contrast, show that the efforts workers expend are highly sensitive to their own wages, but effort is not affected by co-workers' wages. This casts doubt on the notion that workers' concerns with equity might explain pay policies such as wage secrecy (Charness & Kuhn, 2007).

Furnham (2003) argues for pay secrecy and sees no benefit to publicize salaries. He believes “social comparisons are continuous, subtle and invidious” (p. 7). Employees are extremely sensitive to social comparisons on pay making pay satisfaction comparative rather
than absolute. It’s not the actual salary an individual earns but how that salary measures up against pay of peers and those at higher and lower responsibility levels. Sharing salaries “benefits no one and the costs are too high. You cannot stop social comparisons” (p. 8). Problems can be avoided by maintaining a culture of pay secrecy.

**Pay Communication**

A 2007 WorldatWork Association survey of members found pay communication was both the greatest strength and greatest weakness of reward programs. Fifteen percent of the compensation professionals surveyed indicated communication was the most positive attribute of their organization’s rewards programs, but 29% also reported it was viewed as the component of their pay program that most needed improvement (Scott, Sperling, McMillan & Bowbin, 2008, p. 1).

According to a WorldatWork Total Rewards Association survey, roughly one-third (39%) of organizations indicated they shared minimal pay-related information with employees compared with (34%) providing this same response in their 2012 survey (*Compensation Programs and Practices Survey Brief*, 2015, p. 22). Only 28% of respondents indicated that most or all of their employees understand the company’s compensation philosophy, which is identical to the 2012 survey findings (p. 27). These results continue a slow decline in employee understanding, as the figure has dropped from 30% in 2010 and 35% in 2003 (pp. 6, 27). Although 44% of respondents indicated they do share specific compensation design elements of company pay programs, this is a modest yet consistent decline with prior responses of 46% in 2012 and 49% in 2010 (*Compensation Programs and Practices Survey Brief*, 2015, p. 22). This indicates a trend of less transparency.
A more encouraging sign is the survey result that 8 in 10 respondents (82%) indicated supervisors have individual discussions with employees regarding pay programs which is up from 79% in 2012 and 73% in 2010 (Compensation Programs and Practices Survey Brief, 2015, p. 22). In terms of communications methods, brief written or verbal communications are the most prevalent, although these methods are statistically less effective methods than using more detailed pay communications. Not surprisingly, employees are much less likely to understand the organization’s compensation philosophy when minimal pay information is shared (Compensation Programs and Practices Survey Brief, 2015).

Milkovich and Anderson (1972) contended communication of salary information, whether effectively done or not, may lead to increased satisfaction with pay. Communication seems to have done little to eliminate inaccuracy in estimating salaries. Relaxing a secrecy policy does not necessarily result in more accurate estimation of salary levels. Effectively communicating pay practices to a broad group of individuals can be a demanding task. Mayo Clinic undertook the effort to educate its workforce about pay, finding the most challenging aspect of open communication and transparency was getting the word out (Christofferson, 2012).

Communicating Pay to Millennials

Participants for this study ranged in age from 24-35 years of age, mainly aligning with the Millennial generation defined by Lancaster and Stillman (2002) as individuals born between 1981 and 1999. These Millennials represent over 80 million people making up the largest generational group in the United States (Compensation Challenges for a Multi-Generational Workforce, 2014, p. 4). Millennials represent 28% of Minnesota’s population outpacing the
Baby Boomers, the next largest generational group, at 25% of the population (Helmstetter & Tigan, 2014, p. 11).

According to PayScale Human Capital, organizations are challenged with how to best reward employees of different generations. As a group, Millennials are often more public about their compensation information, change jobs more frequently and are focused on career advancement. They are often described as “go-getters” but highly value flexibility. They tend to be group oriented and socially conscious. The Millennial generation often prefers to work for smaller organizations where they have a more direct impact and can make a significant difference (Compensation Challenges for a Multi-Generational Workforce, 2014).

Generational differences influence preferred communication styles around compensation. Traditionalists (born between 1900 and 1945) and Baby Boomers (born between 1946 and 1964) are more private with their compensation information and it is unusual for them to disclose their salaries (Compensation Challenges for a Multi-Generational Workforce, 2014; Lancaster & Stillman, 2002). Millennials have grown up with readily accessible information on the Internet and social media. They are much more open about their compensation information. On the continuum of private to public communication on pay, Generation X (born between 1965 and 1980) tends to be somewhat private, falling between the Millennial and Baby Boomer generations (Compensation Challenges for a Multi-Generational Workforce, 2014, p.4). Awareness of the communication needs of each generation is key to determining the best level of transparency. Organizations benefit when the needs of the various generations are aligned with compensation strategies that retain top talent.

When considering communication on compensation, another complicating factor is misperceptions related to assumptions about different generations. Managers of Millennials and
Millennials themselves perceive differences in what is important in the workplace (Compensation Challenges for a Multi-Generational Workforce, 2014).

“Millennials care more about the people they work with, exciting work and good mentorship and less about money than hiring managers realize” (The 2015 Millennial Majority Workforce, 2014, p. 6). Managers’ perceptions of Millennials’ work priorities are different than how Millennials view their actual priorities. Although both groups have earnings potential as the top priority when choosing a workplace, 75% of managers ranked it as the top priority while only 44% of Millennials saw it as the top reason (p. 24). Second place for Millennials was the team of people they work with (39%), then exciting work (30%) and finally a good manager/mentor (25%) (p. 24). For managers, exciting work (24%) ranked as the second priority followed by a good manager/mentor (16%) and the team of people they work with (12%) (The 2015 Millennial Majority Workforce, 2014, p. 24).

Summary of Topical Literature

This literature review highlights the complexities involved in pay communication. The goal of this research is to study the beliefs Millennial employees hold about their pay and the role communication plays in those perceptions. This knowledge may provide a foundation for aligning compensation philosophy and organizational strategy to benefit both employees and organizational success. In certain situations, a compensation policy of pay secrecy may conflict with perceptions of fairness and trust. There is a lack of qualitative research investigating the relationship of pay secrecy and performance. My study explored what pay means to employees and how these insights can contribute to future pay communication improvements. My intent is to spark other new research by raising awareness of this persistent problem.
Theory from the Literature

In studying the literature I identified three main theoretical frameworks that form the lens for my research. Under this section I provide an overview of these three theories: (1) Equity theory by Adams (1965); (2) Cognitive dissonance theory by Festinger (1957); and (3) Expectancy theory by Vroom (1964). I also explain the methodologies used and present the research gaps and limitations of these theoretical frames. Finally, I summarize the need for my proposed study along with the implications and potential new theories for research.

Adams’ Equity Theory - Description

In studying compensation, the concept of equity or belief of fair treatment relative to others is paramount. Equity theory attempts to explain how people strive for fairness and justice in social exchanges including interactions within the employee-organization relationship. Adams (1965) asserted employees seek to maintain equity between the inputs they bring to a job and the outcomes they receive from it against the perceived inputs and outcomes of others. Individuals value fair treatment causing them to be motivated to maintain fairness within the relationships of their co-workers and the organization. The ratio of inputs to outcomes determines the structure of equity in the workplace. Inputs are the contributions employees provide the organization.

Pay is expected to be driven by the performance or value an employee delivers on the job. Equity theory contends an allocator will deliver rewards to participants in proportion to the usefulness of their actions (Leventhal, 1976, p. 93). This assumes distributive justice or a fair allocation of rewards will prevail. Homans (1961) defined distributive justice within an exchange relationship in economic terms, as when the profits of each party are proportional to
their investments. Adams (1965) defined distributive justice between Person A and Person B is achieved when:

\[
\frac{A\text{'s rewards} - A\text{'s costs}}{A\text{'s investments}} = \frac{B\text{'s rewards} - B\text{'s costs}}{B\text{'s investments}}
\]

(p. 273)

**Figure 1.** Adams’ (1965) Distributive Justice Equation

When equity is realized, satisfaction occurs. Unless the participants understand the exchange process, the resulting perceptions cannot be predicted (Adams, 1965). Equity theory pervades the employer-employee relationship. If perceptions of pay inequity exist, employee performance is impacted.

**Equity Theory - Implications and Limitations**

Critics dispute both the assumptions and practical application of equity theory. Scholars have questioned the simplicity of the model, arguing that multiple demographic and psychological variables influence perceptions of fairness. Most of the research supporting the basic tenets of equity theory has been conducted in laboratory environments that have questionable applicability to real-world situations (Huseman, Hatfield & Miles, 1987). Critics have also argued that people might perceive equity/inequity not only in terms of the specific inputs and outcomes of a relationship, but also in terms of the overarching system that determines those inputs and outputs. Within a business organization, an employee could think his or her compensation is equitable to other employees, but may still view the entire compensation system as unfair (Carrell & Dittrich, 1978).
Festinger’s Cognitive Dissonance Theory - Description

Equity theory aligns with Festinger’s (1954) theory of cognitive dissonance, where individuals strive to maintain consistency between their cognitive beliefs and their behaviors. Cognitive dissonance is the discomfort or disequilibrium experienced when simultaneously holding two or more conflicting conditions: ideas, beliefs, values or emotional reactions. The theory of cognitive dissonance states people have a motivational drive to reduce dissonance. Cognitive dissonance theory explains human behavior by suggesting people have a bias to seek consonance between their expectations and reality. According to Festinger (1957), people engage in a process he termed "dissonance reduction," which can be achieved in one of three ways:

1) By changing one or more of the elements involved in dissonant relations

2) By adding new cognitive elements that are consonant with the already existing cognition

3) By decreasing the importance of the elements involved in the dissonant relations (p. 264)

Individuals want their expectations to meet reality, creating a sense of equilibrium. They will avoid situations or information sources that give rise to feelings of uneasiness, or dissonance.

According to Festinger (1957), the core of dissonance holds that:

- There may exist dissonant or “nonfitting” relations among cognitive elements
- The existence of dissonance gives rise to pressures to reduce the dissonance and to avoid increases in dissonance
• Manifestations of the operation of these pressures include behavior changes, changes of cognition, and circumspect exposure to new information and new opinions (p. 31)

Exchange processes, including the distribution of pay in exchange for work performed, may be perceived as either just or unjust. If pay allocation is viewed as unjust, it can create dissonance that could lead an employee to leave the organization. Or perhaps an environment of pay secrecy, when there is no openness about pay levels, has the advantage of creating less dissonance.

**Cognitive Dissonance Theory - Implications and Limitations**

If a person holds two different perceptions that are inconsistent, the result will be to alter one of the two cognitive conditions to reduce the pressure of an aversive motivational state of cognitive dissonance (Bem, 1967). Although Festinger’s experiments reinforced this behavior, Bem was an early critic of cognitive dissonance theory. He proposed self-perception theory as alternative interpretation of the experimental results. According to Bem, people do not think much about their attitudes, let alone whether they are in conflict. He argued participants experiencing negative psychological tension in dissonance experiments were inferring their attitudes from their behavior and the situation in which it occurred. Bem postulated people view their own behavior as though they were outside observers, and interpreted their underlying attitudes from an analysis of their own behavior. This suggests the attitude statements which comprise the major dependent variables in dissonance experiments may be regarded as interpersonal judgments in which the observer and the observed happen to be the same individual. If this holds true, a motivational drive toward consistency to account for the attitude change phenomena observed is unnecessary.
Another approach proposed by Stone and Cooper (2001) is dissonance is caused by a discrepancy between the outcome of a behavioral act and the standard to which it is compared. According to their self-standards model, sometimes the standard people use to measure their behavioral outcomes are personal and idiosyncratic. In such cases, people's views of themselves will play a crucial role. At other times, the assessment of an act is based on broad, normative standards that are shared in the culture. At these times, the self will not play a role in the dissonance process (p. 236).

In spite of more recent research introducing refinements to Festinger’s (1957) theory of cognitive dissonance, it is still useful to think of dissonance as inconsistency among cognitive elements producing motivation for change. In the case of pay, a perception of cognitive dissonance will motivate a response. The need for dissonance reduction can result in behaviors to change or add elements to counteract the discrepancy, or individuals may simply rationalize it as unimportant. The future of dissonance theory will likely include a role for behavioral consequences, an assessment of the self, and an analysis of the contextual variables that make different standards the basis of judgment for behavioral outcomes (Stone & Cooper, 2001, p. 240).

**Vroom’s Expectancy Theory - Description**

Vroom (1964) demonstrated expectancy theory influences performance motivation. Motivation is a process of choosing among alternative forms of voluntary activities, a process controlled by the individual. The individual makes choices based on estimates of how well the expected results of a given behavior are going to match up with or eventually lead to the desired results. Motivation is a product of the individual’s expectancy that a certain effort will lead to the intended performance, the instrumentality of this performance to achieving a certain result,
and the desirability of this result for the individual, known as valence. Vroom defined motivation as the relationship between expectancy and valence, with the expectancy factor being composed of two separate parts. The first part is the perception of the likelihood that increased effort will lead to increased performance. The second component is the perception of the likelihood the increased performance will lead to increased outcomes. This formula can be depicted as:

\[
\text{Motivation} = \frac{\text{Effort to Perform} + \text{Performance to Outcome}}{\text{Valence (Reward)}}
\]

Figure 2. Vroom’s (1964) Motivation Formula

Peters and Atkin (1980) found expectancy theory predicts the effort exerted by a worker is in part dependent on the strength of the relationship between the level of performance and the reward. Transparency of pay would bolster the performance-reward expectancies by making it easier to see the differences between pay amounts and corresponding performance levels. An environment of accurate performance assessment must exist for an effective open pay system to be successful. Studies on allocation behavior suggest the disclosure of salaries may cause allocators to deviate from the practice of making rewards contingent on performance. Allocators are less likely to link rewards to performance (and more likely to distribute pay adjustments equally) when they expect to have future interactions with the recipients. This creates a situation in which they may be held accountable for their allocation decision. Managers are less likely to allocate pay based on differences in expected future performance when pay systems are open.

Expectancy theory states motivation of the behavior selection is determined by the desirability of the outcome. However, at the core of the theory is the cognitive process of how an individual processes the different motivational elements. This is done before making a choice
of how they will respond. The outcome is not the sole determining factor in making the decision of how to behave. Based on expectancy theory, organizations need to relate rewards directly to performance and to ensure the rewards align with what is deserved and valued by the recipients (Montana & Charnov, 2008).

A study conducted with salespeople demonstrated the link between pay communication and performance. Futrell and Jenkins (1978) discovered moving from an environment of pay secrecy to one of pay transparency, resulted in increased performance. According to expectancy theory, the perception of a direct correlation between effort and outcome motivated this group to higher performance.

**Expectancy Theory - Implications and Limitations**

Noy (2007) examined expectancy theory’s application to pay secrecy. At the heart of expectancy theory, there must be a link between pay and performance. Without that relationship, motivation cannot be predicted. Under conditions of pay secrecy, employees are prevented from seeing this link because they are unaware of how much money employees at various performance levels receive.

Bamberger and Belogolovsky (2010) contended that Vroom did not go far enough in considering how other variables influence the choice being made. Their study proved their hypothesis that response to a secret pay system may be “disposition contingent” (p. 988). They found that for individuals with lower tolerance for inequity, pay secrecy (in contrast to pay openness) is associated with significantly weaker individual task performance. Conversely, pay secrecy is directly associated with better task performance (as opposed to pay openness) when individuals have higher tolerance levels of inequity. Bamberger and Belogolovsky (2010) also found the fact that expectancy theory did not include characteristics of the cultural environment
may also impact the expected outcome. They concluded “cultures in which the disclosure of pay-related information is considered more taboo, employees may feel more at ease with pay secrecy and be less likely to view it as necessarily indicative of some sort of equity disparity” (p. 992).

**Summary of Current Theory**

Given the existing limitations of current theories on pay communication and the significance of the relationship of pay to performance, additional research studies are needed. Prior research has primarily focused on quantitative survey data often yielding inconclusive outcomes without knowing the reason behind the results. Measures of pay levels have been explored without understanding the views employees hold regarding their pay. It remains unclear if pay transparency or secrecy influences the level of pay satisfaction.

Noy (2007) called for future qualitative research to explore the development of pay perceptions. What is the relationship between pay secrecy and pay satisfaction? Do certain conditions of the organizational environment allow people to be comfortable discussing pay? Do people have a higher curiosity or desire to know others’ specific salaries when working in companies that promote conditions of pay secrecy? These questions went unanswered in Noy’s quantitative study which lacked information on how pay secrecy influenced employee attitudes on pay. Noy was unable to determine how employee views on pay developed and asked that these research questions be considered in a future qualitative study focused on the meaning of pay to individuals. My qualitative study centered on understanding the meaning around perceptions of pay for individuals and whether communication influences these perceptions and level of pay satisfaction.
Analytical Theory

In my study, I utilized three analytic theories not presented in the earlier literature to provide a new framework to interpret the data. I used Blumer’s (1969) symbolic interactionism, Durkheim's (1964) social solidarity and anomie, and Bok’s (1983) secrecy theory. Analyzing the data using these three perspectives provided additional insights and valuable perspective to the research.

Symbolic Interactionism

Symbolic interactionism is a social psychology theory that also helps to explain the relationship of pay communication and pay satisfaction. George Herbert Mead (1934), regarded as one of the founders of social psychology, is considered to be the originator of symbolic interactionism. Mead (1934) argued that people's selves are social products shaped by their social interactions and the meaning they interpret from these interactions. Mead’s student, Herbert Blumer (1969), coined the term "symbolic interactionism" and developed an influential summary of this theory. Symbolic interactionism provides a basis to understand the creation and interpretation of meaning. It is fluid and can change over time depending on the participants and context of the interaction.

Blumer (1969) saw symbolic interactionism as the formation of meaning through the process of interaction. He identified these three premises within symbolic interactionism:

1) Human beings act toward things on the basis of the meanings they have for them
2) Meaning is derived out of social interaction with others and society
3) Meanings are modified through an interpretive process as the individual deals with new encounters (pp. 2-5)
Although factors such as social roles, cultural expectations, and group pressures may influence individuals, symbolic interactionism contends the meanings individuals have toward symbols are important on their own. Blumer believed reality was socially constructed. He adopted a situational model showing that individuals continually recreate their roles as the situation changes. He agreed with W.I. Thomas’ theorem that proposed, “If men [sic] define situations as real, they are real in their consequences” (as cited in Collins, 1994a, p. 261). Social interactions influence what is perceived as right versus wrong behaviors. If inequity or inconsistency in pay is seen as a wrong behavior, it can impact the beliefs and actions of the individual employees and the interactions within the work group. Given that social interactions continually transform, societal norms become fluid and capable of frequent change.

Mead (1934) identified two types of social interaction: the conversation of gestures (non-symbolic) and the use of significant symbols (symbolic). Non-symbolic interaction occurs when one responds automatically to the action of another. For example, if someone waves at an individual he or she would likely wave back in return. Mead sees symbolic interaction as a response to the meaning of the object or symbol presented. It implies the idea of intention and a following interpretation. This requires the two parties to take each other’s roles. The nature of an object consists of the meaning it has for the person involved. An object is anything that can be indicated or referred to: a physical object, a social object (such as a person) or an abstract object (such as moral principles, philosophies, or ideas) (Collins, 1994b, pp. 309-311). An organization’s compensation philosophy is an abstract object that can influence the meaning of the symbolic pay practices.

Role theorists built another branch of theory within the symbolic interactionism family. This area of study looks at the role of self as it relates to the social order. It takes a more
functionalist approach saying social institutions are made up of pre-existing roles that individuals fill rather than creating their own roles. These could be manager, accountant, salesperson, factory worker, community volunteer, parent, sibling, etc. These roles develop out of institutionalized values and norms (Collins, 1994a, p. 265). These theorists saw there was empirical evidence showing differences in individual behavior. Taking into account that individuals had to deal with multiple roles, they needed to handle opposing conflicts based on these various roles. The individual selects which roles they most identify with and which roles have greatest importance.

Interactionists focus on the subjective aspects of social life, rather than on objective, macro-level aspects of social systems. One reason for this focus is they base their theoretical perspective on their image of humans, rather than on their image of society. Collins (1994b) pointed out sociologists in this interactionist tradition use qualitative research to study individuals and social interaction. The goal of qualitative research is to understand the meanings people have in their minds. These meanings are based on their individual experiences and interpretations. Interactionists tend to study social interaction through participant observation instead of quantitative surveys. This is because close contact and immersion into the daily lives of their subjects are necessary for understanding the meaning of actions, the definition of the situation, and the process by which actors construct the situation through their interaction.

To ignore the meaning of the things toward which people act is seen as falsifying the behavior under study. To bypass the meaning in favor of factors alleged to produce the behavior is seen as grievous neglect of the role of meaning in the formation of behavior (Collins, 1994b, p. 305).
How people communicate and interact with each other depends on how they interpret factors such as language, actions, and statuses (potential symbols). Pay is a symbol invoking significant meaning for employees.

Additional researchers have explored and expanded the work of Mead (1934) and Blumer (1969). According to Charon (1998), five core ideas are embedded in symbolic interactionism:

1) Human action focuses on the nature of social interaction, the dynamic social activities taking place among persons.
2) Human action is caused not only by social interactions but also results from interaction within the individual.
3) Humans do not sense their environment directly but instead define their situation as they go along in their action.
4) Actions are always caused by what happens in the present situation.
5) Humans are able to take an active part in the cause of their own action. (pp. 27-28)

Allocating pay is a symbolic action that influences the other person’s response in addition to an internal reaction for the individual employee. Employees wanting to be actively involved in understanding their pay potential may be de-motivated if they are unable to take part in the cause of this action.

**Social Solidarity**

Durkheim (1964) demonstrated the power of social interactions in what he called social solidarity. This refers to the bond between the members of a society and could also apply to employees within an organization. Kivisto (2008) explained it as the social cohesion of a group or society when they share the same morals and practices. Variations in the pattern of social interaction influence a society’s beliefs and behavior. Social density is the type, frequency and
duration of physical interactions within a group or society. Differing levels of social density influence a society’s beliefs and behaviors. Durkheim studied how social density impacts moral views, ideas and rationalization. His focus is on the structural relationships between individuals rather than looking at the individuals themselves (Collins, 1994a, pp. 186-187).

Durkheim stated, “Social life comes from a double source, the likeness of consciences and the division of social labor” (as cited in Kivisto, 2008, p. 91). Social solidarity stems from the similarities and collective conscience of its members. Durkheim identifies two types of societies: (1) mechanical and (2) organic (Kivisto, 2008). In pre-industrial mechanical societies, groups were isolated and members held similar roles where each performed a wide range of functions. A farming community is an example of mechanical solidarity with low social density. Each farm provided all the services needed to produce crops or livestock. Even today, in rural communities where there is less social interaction, members are largely dependent on common routines and rituals. There is limited need for social interaction because there is a limited dependence on others.

Conversely, in industrialized modern societies where high social density exists, labor becomes more complex resulting in the specialization of jobs. Individuals perform only a small part of the overall job, which forces society into a need for greater interdependence. Durkheim (1964) called this an organic society. Individuals no longer perform the same tasks, have the same interests, or share the same views. Still, the success of the society as a whole is reliant on the interdependence of its members. Pay practices and pay-related communication can be a source of cohesiveness to promote this interdependence or a roadblock to inhibit collaboration and teamwork.
Durkheim (1964) identified two levels of socialization: regulation and integration. Regulation is based on an institutional level of socialization. Societal norms impose guidance and control on what goals and behavior are necessary. Institutions regulate individuals by defining and communicating acceptable moral rules followed by enforcement of these rules. Integration is more informal. It is everyday interactions with groups. The greater the frequency for opportunities to gather with others the more it reinforces the shared values, norms and beliefs of the group (Kivisto, 2008).

Durkheim (1964) introduced the concept of anomie to describe a condition of deregulation occurring in society (p. 353). Rules on how people ought to behave with each other were breaking down and people did not know what to expect from one another. Anomie is a state where norms are confused, unclear or not present. It is this normlessness that Durkheim felt led to deviant behavior. Individuals cannot find their place in society without clear rules to help guide them. Changing conditions that brought greater anomie created higher levels of dissatisfaction, conflict, and deviance. Under conditions of pay secrecy or lack of understanding regarding pay rules, anomie can result.

Durkheim’s (1964) interest in what creates social order took a different approach from previous theorists. He focused on the relationships between members of a society rather than the individuals themselves. Although Durkheim acknowledged the division of labor in a society generates conflict, he pointed out for survival society needs to become interdependent. This need for interdependence binds society together. Durkheim speaks to solidarity rather than divisiveness. Pay secrecy can become a divisive factor in attempting to unify this solidarity. Lack of trust and perceptions of pay inequity can threaten this interdependence. Is the reason pay is held secret an effort to maintain this solidarity by keeping members of society ignorant of
pay differences? Using Durkheim’s theory as a lens to analyze the data collected in this study can help answer this question.

**Secrecy Theory**

“Conflicts over secrecy…are conflicts over power: the power that comes through controlling the flow of information” (Bok, 1983, p. 19). In turn, these conflicts can impede trust and create walls between managers who control pay information and employees who are interested in understanding how they can influence their pay rewards. Organizations need a clear relationship between pay and performance for a reward system to improve productivity. Yet, managers allocating wages may invoke secrecy around their distribution of pay to minimize controversy. Using Bok’s theory as a lens, conditions of secrecy make it difficult to see the link between pay and performance. This can result in an increase in pay without a corresponding increase in performance.

The distinction between secrecy and privacy defends the need for both, while illustrating differences between secrets that are desirable and those that are harmful and self-destructive. Justification for confidentiality is based on four premises:

1) Confidentiality raises individual autonomy over personal information. Individuals are respected as being capable of having secrets. Without some control over secrecy and openness about themselves…people could neither maintain privacy nor guard against danger.

2) The legitimacy of sharing secrets under an umbrella of confidentiality assumes respect for relationships among human beings and for intimacy in those relationships.

3) Confidentiality requires a pledge of silence which creates an obligation beyond the respect due to persons and to existing relationships.
4) Professional confidentiality pledges silence from professionals and assigns weight beyond ordinary loyalty because of its utility to persons and to society (Bok, 1983, pp. 119-122).

This theory demonstrates social boundaries that dictate the need for confidentiality under certain conditions. Bok’s reference to intimacy as it relates to a work setting reflects the need for a close relationship of loyalty and trust between two parties involved in a secret. An organization considering an environment of pay transparency needs to be aware that employees may be responsive to differing degrees. Individuals can be on different points on the spectrum between full openness and accountability to the opposite side of pledged silence and confidentiality.

Bok (1983) highlighted the impact of secrecy on accountability.

Secrecy, when available, is peculiarly likely to increase the temptation not to cooperate with others to reduce shared burdens. Even where joint efforts are of clear benefit to all, as in working to ensure fire protection or a pure water supply, secrecy has such an effect. (p. 107)

Secrecy then removes accountability. When distributing pay, if managers choose to consciously restrict communication on the why and how around pay practices, they can avoid being held accountable for the pay decisions they make. Analyzing the research data using this framework of secrecy highlights the balance between the need for confidentiality and respect for privacy, with the opportunity to promote accountability and trust through transparency.

**Summary of Analytical Theory**

From my investigation of the topical literature surrounding this issue, I discovered a gap in the research on pay communication. The majority of data is based on limited quantitative studies generating inconclusive results. Previous researchers have examined this subject through
the theoretical perspectives of pay equity, cognitive dissonance, and expectancy theory. However, I have uncovered a void of qualitative research aimed at understanding the relationship between pay communication and perceptions of pay. The purpose of this study was to explore how attitudes and perceptions around pay are developed and gain understanding of the role communication plays in determining these perspectives.

I positioned my study to address this gap in qualitative research. I explored what pay means to individuals in a social context by investigating the relationship between pay communication and pay perceptions. I built upon the current research by analyzing the voices of the participants using symbolic interactionism, social solidarity, and secrecy theories. According to Blumer (1969), human beings act toward things based on the meanings they have for them. Social interaction plays a vital role in shaping this meaning. This study acknowledges the impact of social interaction in developing attitudes about pay.
CHAPTER 3: METHODOLOGY

In exploring what research participants currently understand and also what they want to know about their organizations’ pay practices, I used a qualitative research design. In this section, I describe my research design and outline the data collection and data analysis processes. Then I addressed the research issues of validity, generalizability, confidentiality, and ethical responsibility in addition to my role as researcher.

Research Design

I used a qualitative case study to explore the subject of pay communication. Qualitative research delves into the “meaning individuals or groups ascribe to a social or human problem” (Creswell, 2007, p. 37). It is used when a complex and detailed understanding of the issue is needed. Qualitative research incorporates the unfiltered voices of the impacted population to tell their own story. My research focused on understanding the perceptions employees hold regarding pay by listening to their stories in their own words. Qualitative research is descriptive and takes a narrative form (Bogdan & Biklen, 2007). Past quantitative research has produced learning on how employees view compensation, but it has not utilized qualitative data to interpret why these pay perceptions exist. A quantitative research study on pay secrecy stated:

Pay secrecy as a measure represents a complex concept that most likely does not have the same meaning for each participant, and survey research does not always afford the researcher the opportunity to gather information about the personal meaning of the concepts of each participant. Hence, it might serve future studies to conduct a qualitative study of pay secrecy, thus allowing for the analysis to include additional probing questions for a greater amount of understanding. (Noy, 2007, p. 161)
A case study is an in-depth investigation of a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2009). Case study methodology has a distinct advantage when “a ‘how’ or ‘why’ question is being asked about a contemporary set of events over which the investigator has little or no control” (p. 13).

Case study research focuses on understanding the meaning for those involved. According to Merriam (1998), qualitative researchers are interested in understanding the meaning people have constructed and how they make sense of the experiences in their world. “Insights gleaned from case studies can directly influence policy, practice and future research” (p. 19). Given the broad influences that impact pay communication such as organizational culture, human resource policies and pay practices, a case study design facilitated understanding of the complex phenomena involved with pay decisions. This research design allowed me to use a variety of data including semi-structured interviews, policy statements, and participant observation.

I used a multi-site case study approach to explore whether common themes exist even though the participants came from various organizational cultures. I wanted to discover if there were differences in employee attitudes between companies that have clearly stated policies about pay versus those that keep this information secret. The research focused on pay perceptions of 15 salaried, individual contributor (non-management) employees in for-profit organizations. I targeted members of this group because of the critical role they play in organizations and because their compensation package is traditionally more straightforward than management packages. In addition, it is expected that their manager is the major source of information about
their pay. Because management employees typically have greater access to information resources related to pay, my criteria excluded them as study participants.

**Data Collection**

A key characteristic of qualitative research is that the researcher is the primary instrument for data collection and analysis (Merriam, 1998). The goal of this study was to examine the interdependencies of pay perceptions and pay communication. To accomplish this, my primary data collection methods were semi-structured interviews, participant observation, and document analysis. I conducted one-on-one, semi-structured interviews with 15 participants to learn about their experiences and perspectives on pay communication and pay satisfaction. A semi-structured interview design provides confidence of procuring comparable data from participants and allows for flexibility if unanticipated themes arise (Bogdan & Biklen, 2007, p. 104).

**Participant Selection.** Selection of participants was a convenience sampling of individuals working in for-profit companies in the Twin Cities (Minneapolis/St Paul, MN) metropolitan area. I sent email requests to my network of contacts based on involvement in business and professional associations. Included in the email was an introduction to the research including the purpose of the study, along with the selection criteria. In addition, I personally requested participant referrals from individuals, classes of Masters level students, civic organizations, and community associations.

Approximately 200 referral invitations were extended to yield 15 qualifying interview candidates. The large number of referrals needed appeared to be due to the specificity of the selection criteria and busy schedules creating a reluctance to participate. It is unknown if the subject of pay communication was a deterrent, but given the taboo nature of communication surrounding pay, it may have been a contributing factor. Although they were assured no
inquiries on personal pay information would be made, two potential candidates indicated they preferred not to participate on the topic of pay communication. Perhaps email was also not the best contact method given Millennials tend to prefer texting or other social media applications. Additionally, some of my emails may have been filtered out as spam and never reached the intended prospect.

I screened interested participants to ensure they met the research criteria - working in a salaried, individual contributor position in a Minneapolis/St. Paul (Twin Cities) area for-profit organization with 5-15 years professional working experience. The original requirement for work experience was 5-10 years of professional experience, but due to the difficulty securing research participants, I expanded the experience criteria. I also collected individual demographics to generate a greater diversity of participants and to evaluate common themes. To enrich the pool of candidates, I used the snowball sampling technique asking interviewees to identify other potential participants. This technique broadened the sample and provided a diverse group of interviewees. The sample was purposive and included representatives from a variety of organizations, functional disciplines, educational backgrounds, and experience levels.

All 15 participants were employed in for-profit organizations at the time of the interview. Those who had worked in previous organizations also drew upon their work experience from their previous positions. I conducted the interviews between May and October 2014.

One interviewee was currently working in a job outside the Minneapolis/St. Paul metropolitan area but had previously worked in a job in Minneapolis. Targeted range of work experience was 5-15 years with the actual range of experience spanning 4.5 years to 11 years. Ages of participants ranged from 24 to 35 years. One participant regularly telecommutes, three work from home occasionally with the remainder mainly working onsite in their office location.
Here is a summary of the demographics of the 15 research participants in this study:

<table>
<thead>
<tr>
<th>Demographic Categories</th>
<th>Participant Response Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies Represented</td>
<td>14 Twin Cities companies (2 participants worked in different business units for the same company)</td>
</tr>
<tr>
<td>Average Age</td>
<td>30.5 years</td>
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<tr>
<td>Average Work Experience</td>
<td>7.7 years</td>
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<tr>
<td>Education</td>
<td>8 with Bachelor’s Degrees</td>
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<td></td>
<td>6 with Master’s Degrees</td>
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<tr>
<td></td>
<td>1 with an Associate Degree working toward a Bachelor’s Degree</td>
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<tr>
<td>Gender Mix</td>
<td>9 females</td>
</tr>
<tr>
<td></td>
<td>6 males</td>
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<tr>
<td>For Profit Employer Size</td>
<td>7 Large = &gt; 1,000 employees</td>
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<tr>
<td></td>
<td>3 Medium = 250 to 1,000 employees</td>
</tr>
<tr>
<td></td>
<td>5 Small = &lt; 250 employees</td>
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<td>Work Functions</td>
<td>Client Support</td>
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<td>Education</td>
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<td>Energy</td>
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<td>Food and Pet Products</td>
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<td>Health Care</td>
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<td>IT Technology/Research</td>
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<td>Medical Technology</td>
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<td>Printing</td>
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<td>Recognition Services</td>
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<td>Research and Document Services</td>
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<td>Software Development</td>
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<td></td>
<td>Wholesale</td>
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<td>Interview Method</td>
<td>12 in person</td>
</tr>
<tr>
<td></td>
<td>3 phone</td>
</tr>
</tbody>
</table>

Table 1. Demographics Summary

Appendix F summarizes the backgrounds of the research participants.

After gaining consent from the participants, I audio-recorded each interview to preserve the responses verbatim. All participation was voluntary and the interviewees were told they could stop the interview at any time. Interviews included time for providing background on the purpose of the study, explaining the research/interview process, reviewing and signing a consent form, answering questions, and assuring the interviewee was comfortable contributing to this
research. I asked each participant’s permission to follow-up with questions, if necessary, to clarify the data collected, ask emerging questions, or evaluate themes and codes.

I conducted each of the 15 interviews in a private setting that was convenient for the participant. Three interviews were done via phone and twelve interviews were in-person meetings. I scheduled each interview for 60 minutes with actual interview times ranging from about 50 minutes to 70 minutes. I offered to conclude the interview after the allotted time but several participants wanted to continue talking and asked me questions about compensation. When the last interviews were conducted, I saw themes being repeated indicating data saturation had been reached. Saturation occurs when new information obtained from interviews does not provide additional insight (Creswell, 2007, p. 160). If requested, questions were provided in advance to alleviate anxiety and allow interviewees more time to consider their responses.

I briefed each participant on the purpose of the study, my role as researcher, and how confidentiality would be maintained. I shared a transcript of the individual interview with each participant for review to assure their data had been accurately captured and invited them to provide corrections or additions. Focus was on base pay, and if applicable, short-term bonuses or annual incentives. Because they are not direct components of pay, other elements of total rewards such as benefits and recognition were excluded in the direct scope of this study. When unsolicited comments were made regarding other employee benefits, they were incorporated in the results if relevant.

To assess the organizational culture and work environment, I utilized participant observation in their company’s environment when possible. I obtained and reviewed organizational culture and pay-related policies or stated practices when available.
Data Analysis

Creswell (2007) stated, “Data analysis in qualitative research consists of preparing and organizing the data for analysis, then reducing the data into themes through a process of coding and condensing the codes, and finally representing the data in figures, tables or a discussion” (p. 149). For my study, a transcriber who had signed a confidentiality agreement, transcribed the digital recordings of the completed interviews into a written transcript. I then classified each interview transcript using the pseudonym of the participant. I listened to the audio recordings of the interviews and read the transcripts, adding field notes and observer comments. Each participant was provided a transcript of the interview and invited to give their feedback to ensure accuracy or offer insights that may have surfaced since our interview session. Then I highlighted key narratives and identified initial codes. I wrote memos to begin to develop themes I saw emerging from the data. I also summarized the interviews capturing my key reflections, potential biases, and research insights to facilitate understanding. Writing memos while doing data analysis "not only captures your analytic thinking about the data, but also facilitates such thinking, stimulating analytical insights" (Maxwell 2005, p. 96).

According to Bogdan & Biklen (2007), “Data interpretation refers to developing ideas about your findings and relating them to the literature and to broader concerns and concepts” (p. 159). I coded each transcript identifying themes or patterns found throughout the interviews. I categorized these focused codes and summarized them into a table for comparison. Then I reviewed the literature and theoretical data to identify connections to help in the interpretation of the data. I also examined the data for metaphors, analogies, models, or concepts to further illustrate the significance of the findings. As the patterns developed and key findings appeared, I reported them in narrative form. I included verbatim quotes using *in vivo* language to illustrate
how the data correlated to the various themes. I checked with human resources students, managers in for-profit companies, and compensation professionals to further clarify and validate the results through triangulation. I shared my findings with my dissertation committee to ensure proper interpretation and reporting.

**Research Issues**

**Validity and Generalizability**

Internal validity addresses “the question of how research findings match reality” (Merriam, 1998, p. 201). The goal of this research was to understand the perspectives of the participants and present a holistic interpretation of what is occurring. In qualitative research human beings are the primary instrument of data collection and analysis, providing firsthand accounts of the interviews and observations. This enhances the outcome of a direct link between researcher and participant rather than a third-party translator.

I used the strategy of triangulation to validate my data. Maxwell (2005) described triangulation as the use of multiple sources and methods to gather data. Merriam (1998) stated that triangulation is “using multiple investigators, multiple sources of data or multiple methods to confirm the emerging findings” (p. 204). The end result is a fuller, more objective understanding of the research issues. Triangulating input collected from managers and compensation professionals helped to interpret the data and refine the results.

Merriam (1998) stated, “Especially in terms of using multiple methods of data collection and analysis, triangulation strengthens reliability as well as internal validity” (p. 207). To triangulate my findings, I provided interview transcripts to participants to ensure clarity of interpretations. I invited participants to respond with clarifications or additional input triggered by their review of the data. Responses were incorporated into the results.
To further substantiate and interpret the interview data, I shared summaries of the interview data with managers and compensation professionals to confirm the findings. The managers worked in for-profit companies and had personal experience determining pay for employees. They did not work in any of the same companies where the interview participants were employed. The compensation professionals were members of the Twin Cities Compensation Network (TCCN), an association of total rewards professionals, and a local affiliate of WorldatWork Total Rewards Association. I am a member of this association. I emailed a summary of the themes from the interviews to six TCCN members and five managers known to have an interest in the topic of pay communication. I then conducted a focus group to discuss the findings. Those who were unable to attend the meeting provided feedback via email or a personal call.

When possible, I used participant observation along with a review of pay policies and existing literature to validate the collected data. I conducted seven of the interviews onsite allowing me to observe the company environment and employee interactions, which gave me insight into the culture of the organization.

Generalizability refers to “whether the findings of a particular study hold up beyond the specific research subjects and the setting involved” (Bogdan & Biklen, 2007, p. 36). Therefore, generalizability is dependent upon the readers finding connections within their own settings. In utilizing rich, thick description to describe my research findings, I provided data to support the themes arising from the study. Application of case study methodology may limit the generalizability of this study, but it brings forth valuable information within the context of those involved in the case study. I developed my research design to enhance the transferability of the results. Participant selection across a variety of employers, organizational cultures, industries,
and functional experience demonstrated my strategy to promote generalizability. Additionally, I compared my data to published literature and other qualitative and quantitative studies on pay communication to confirm my findings.

**Ethics and Confidentiality**

To assure integrity of this qualitative study, I treated all participants in accordance with the ethical guidelines of the University of St. Thomas’ Institutional Review Board (IRB). I followed strict research protocols. I provided consent forms to each interview participant in advance of the interview. All participants signed their consent form prior to the interview and were verbally informed participation was voluntary. I explained the purpose, minimal risks, and benefits of the study to each participant and had the participants sign a confidentiality agreement approved by the Institutional Review Board of the University of St. Thomas. I masked the identity of the case study organizations and interview participants by using pseudonyms. No reports were publicized that identify a participant in the study. I obtained approval from the University of St. Thomas Institutional Review Board before I conducted any interviews.

I secured my research in the form of transcripts, notes, recordings, memos, organizational summaries and employee documents with password protection on my computer. I kept hard copies in a confidential and protected filing system. The transcriber with access to participant data reviewed and signed the confidentiality agreement. Electronic and printed transcripts did not use actual names of the interviewees. Electronic data was transmitted to and from the transcriber via a secured digital dropbox. When my committee approved this dissertation for publishing, I destroyed hard copies of research notes, transcripts and related documents. I erased digital recordings and deleted electronic dropbox files. Future use of research data will preserve confidentially in any format where it is publicly shared.
Role of the Researcher

In qualitative research, “the researcher is the instrument of the research” (Maxwell, 2007, p. 37). Separating the research from the experiences and knowledge the researcher possesses restricts a major source of insights, hypotheses, and validity checks (p. 38). I identified my researcher bias through writing observer comments and memos to collect my reflections. For full disclosure, I shared with each participant I was a practicing compensation consultant. My dissertation committee also had an opportunity to challenge my observations and interpretations. Additionally, applying theoretical analysis to these findings and triangulation with managers and compensation professionals contributed to reducing researcher bias.

To further reduce bias, I conducted member checks by sharing data and preliminary interpretations with participants asking for confirmation on summary findings. I submitted my data summaries for peer examination with external compensation professionals and managers that had no relationship with the case study organizations. Merriam (1998) confirmed these strategies serve to enhance validity. Yin (2009) stated, “A major strength of case study data collection is the opportunity to use many different sources of evidence” (p. 114).

Prior to the interview, I researched each company’s background by viewing company websites and searching Google.com for recent news articles. I conducted triangulation of the data with compensation professionals and business leaders along with cross checks to company documents and communications. Maxwell (2005) contended this strategy decreases the risk “conclusions will reflect only the systematic biases or limitations of a specific source or method” and provides “a broader and more secure understanding of the issues” (pp. 93-94).

My background in compensation has exposed me to pay discussions in the past. I believe this experience helped me better understand the stories from the participants. A critical role of a
compensation professional is to remain objective as the neutral party to determine job pay from a systematic approach ensuring consistency and fairness. One way this is accomplished in my profession is through the use of peer review, which I have built into the design of this study.

**Limitations of the Study**

The subject of pay tends to be a personal and emotional topic. This sample of 15 Millennial participants may not be representative of others in different careers, generations, types of organizations or geographic locations. Employee rewards encompass incentives, benefits, recognition, and career development in addition to salary. I limited my study to base salary and bonus and it does not adequately address the full range of compensation rewards available to employees. Although this research uncovered themes from the participants’ interviews, I was unable to study how they played out within their specific organizational cultures. Regulations on employee privacy laws and company policies restricted my access to more detailed background information. As a case study, the findings render significant conclusions but may have limited applications beyond the case study organizations.

A research project of this magnitude requires thoughtful preparation and execution. Applying the learning acquired in the coursework of the Educational Leadership and Development program served as a valuable foundation to conduct this study. The University of St. Thomas research guidelines helped ensure this research was conducted ethically and with high standards. The goal of this study was to contribute new knowledge to promote improved pay communication to benefit employees and their organizations.

**Summary of Methodology**

I designed this research carefully to ensure respect for the participants was maintained and the research issues were addressed. I selected a qualitative case study design to uncover
what participants know about pay and the communication processes surrounding compensation. I conducted semi-structured interviews with 15 individual contributor employees using transcripts, memos, coding and triangulations to capture and validate the findings. Although recurring themes developed in the data analysis seem feasible across companies, the sample size, mix of companies and geographical influence may limit broad application to other organizations.
CHAPTER 4: FINDINGS – LISTENING TO EMPLOYEES’ VOICES

This qualitative study focused on learning how pay communication works in organizations and how it can be improved for the benefit of the employee and the organization. This section highlights the voices of the participants sharing what they know about compensation in their organizations, what they still want to know, and insights on how compensation can most effectively be communicated. To capture learning on compensation communications, I interviewed 15 employees in 14 different organizations on their perceptions and experiences concerning pay communication in their for-profit organizations.

Organizational Culture & Communication

The impact of organizational culture on pay communication is significant. However, it is beyond the scope of this study due to the breadth and diversity of the organizations studied. Day (2014) declared, “The organizational context is critical to whether a fully open pay system will work” (p. 109). It is important to determine the type of communication and level of transparency that fits the workforce population and organizational culture. Most employees value transparency around compensation issues, but there is a right level of transparency for every culture (Communicating Compensation, 2014).

Given this case study covered 14 different organizations, I asked the participants to briefly describe their organizational culture to gain an understanding of their employers’ work environment and communication practices. References to participants’ organizational climates are provided to give context for the reported data but have not been studied in depth. Participants’ descriptions of their organizational cultures spanned from competitive, fast-paced and hierarchical to relaxed and informal. The diverse responses demonstrated the wide array of organizational cultures involved in this study. This may imply the findings from this study apply
to various organizational cultures. However, since the influence of organizational culture is not within this study’s scope, a comprehensive examination of the relationship between organizational culture and pay communication is needed to make that determination. Pay communication strategies tended to align with the culture. Generally, if the participants described organizational culture as casual and friendly, communication on pay tended to be more open and accessible. When participants described the culture as top down, pay communication tended to be less frequent and more guarded.

No interrelationship existed between company size and pay communication approach, other than medium to large organizations tended to have more intranet resources to assist with communicating pay. Smaller organizations do not appear to have the advantage in communicating pay practices to employees. Marie, employed by a small company, said her organization provided “zero” pay communication. Overall, managers were the top source of pay communication and the first choice for most participants to contact if they had a pay-related question. Company intranet sites, Human Resources (HR) contacts, Helpline call centers, co-workers and mentors were listed as other pay communication resources.

To better understand employees’ experiences with compensation, findings from the participant interviews were organized into these sections:

1) Compensation Knowledge, Attitudes and Perceptions
   a. Compensation Knowledge – Current State
   b. What is Fair Pay?
   c. What does Pay Symbolize?

2) Communication Approach
   a. Communication Practices
b. Discussing Pay

3) Communication Challenges
   a. Confusion Surrounding Compensation
   b. Why is Pay Communication Taboo?

4) Communication Opportunities
   a. What Employees Want to Know
   b. Advice for Employers

Each section provides direct responses from the participants with their views on these topic areas. Individually they provide insight on what pay means on a personal level and collectively they serve as a framework for assessing employee perspectives on compensation.

Compensation Knowledge, Attitudes and Perceptions

“People understand that their pay is structured, but they don’t understand how the structure was determined or how it impacts them personally.”

Lisa Turner, Director of Compensation, Wendy’s (Mulvey et al., 2002, p.31)

Compensation Knowledge – Current State

This qualitative study explored what existing knowledge participants had regarding pay practices and compensation processes in their respective workplaces. Did they know how pay worked? What were the current communication processes? What communication vehicles were used to share pay-related information? What were the most common sources for learning about compensation? A summary of what these employees generally know about compensation and how it was communicated follows:
<table>
<thead>
<tr>
<th><strong>Category</strong></th>
<th><strong>Participant Response Summary</strong></th>
</tr>
</thead>
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| Compensation Knowledge | 1. Little awareness of organizational compensation philosophies/strategies  
2. Typically little to no communication on pay practices included in employee orientation processes  
3. Most knew grade level/title hierarchy but not how it was related to pay  
4. Several participants knew compensation was compared to the “market” but didn’t know what market value meant  
5. Most knew of an annual opportunity for a pay increase which was usually based on a performance evaluation  
6. Most participants were bonus eligible with mixed understanding on how their bonus worked  
7. Often considered traditional and non-traditional (flex time, telecommuting) benefits as part of their compensation package |
| Communication Avenues | 1. A few had access to salary ranges via their organizations’ intranet or through their manager  
2. Job postings in some organizations communicated a salary range for the job opening  
3. Information often came through informal channels – asking a manager/mentor or longer term employee, overhearing conversations, figuring it out as they went or being involved with hiring a new employee  
4. Some had a manager or mentor who openly shared information/answered questions directly |

*Table 2. Compensation Knowledge and Communication Avenues*

Communication was one area where all participants indicated their organizations could do a better job. Harmon, who worked in a large organization, described pay communication in this way.

It’s top down obviously but I think the biggest issue is, a lot of times, just like playing a game of telephone, everything changes as it gets down through the layers. So there might be times when you’re talking to someone from another department on something that affects you, but you don’t know anything about it because that information doesn’t get all the way down to the correct level. At times it does become frustrating.
How pay works. Pay communication specifically was an area of great mystery. Employees shared global comments about what they knew regarding pay, but when asked how they knew such information they often cited the grapevine as the source. When I asked Marie what pay communication she received, she said, “I would say zero. Zero information. I knew my base salary and everything else I learned beyond that was hearsay.”

When asked about how pay works, Sheryl stated, “Pretty much everybody gets a 3% raise every year regardless of performance” even after she had earlier described her company as one that rewards employees based on performance. Abby’s observation was also that everyone gets the same increases without any formal performance evaluations. In Abby’s case she did say the organization was about to change this method in the new business year.

When it came to how pay increases were determined, Adrian offered that the increase percentage was based on the performance rating level. When asked to explain, he realized he was uncertain and changed his statement to reflect he was guessing that is how it worked. “Performance based, yeah. And I guess that’s how they compensate, I guess based on performance.” Adrian continued by saying they restricted the number of each type of rating that can be given within each team; other participants also reported this restriction.

In describing the annual merit increase process, Warren had two highly different experiences between his current organization and a previous employer.

The managers would be responsible for getting together and effectively ranking employees within each division. I think that process is frustrating for a lot of reasons, it isn’t necessarily based on the quality of the work that you’ve done or the merit so much as how well your manager can argue your placement within an organization because I think a lot of times its comparing apples and oranges, and because they insist on this
strict ranking and basically forcing a distribution at the division level, I think that is artificial and I think it can be frustrating for the employees because the process is really largely opaque and what we know about it seems dysfunctional.

At the other organization things were very open and I think compensation was largely based on the health of the company, and that I liked. The part I didn’t like so much was that what they basically do is determine how much of an increase in compensation the company could afford and then they would apply uniform compensation increases across the board for all employees. They have five different levels of ranking and so people know what the different buckets are and what percentage of the employee population can be ranked in each bucket and then you learn which bucket you’re ranked in.

In both organizations, Warren was bothered by the predetermined distribution of how many employees could be bucketed in each group. He also shared that he obtained some of the pertinent pay information from co-workers. “What wasn’t clear, although you’d learn from talking to the other employees, was how much of a difference it made which bucket you were in.”

A new owner purchased Johnny’s company about two and a half months prior to our interview. At the time of the acquisition, no communication had taken place regarding positions or pay. Months later Johnny and his colleagues still had no information on the status of their jobs or pay situations.

They kind of kept us in the dark most of the time. I really didn’t know if I was gonna keep my pay. I didn’t even know if I was gonna keep my job. The only thing that I was told is that we’re gonna have a meeting within like the first week, sit down with the new
owner and he was gonna go over all the benefits and…talk about pay and paid vacations and stuff…that didn’t really ever happen.

Surprisingly Tina’s company was very upfront about their pay philosophy even though they proclaimed to pay below the market average. In articulating their pay strategy Tina revealed, “They’re very clear about it; they’ll say that right from the get go that we are not a company you work for when you think you’re gonna make the big dollars.” Tina had a sense that different functional groups get paid differently based on value to the organization but has no understanding of grade levels. In the interview she introduced the issue of pay differences with colleagues in other geographic locations but assumed pay was slightly higher in locations with a higher cost of living. Employees expected an annual cost of living increase but didn’t know how much. Tina equated pay increases with changes in cost of living stating, “You hear in the news, inflation goes up 4% or 6%…but I don’t know if any employer does stay consistent with that or maybe I’m just hoping they don’t so I don’t feel so bad about what I do get” (laughs).

Carrie summed up her thoughts by sharing, “I know that they are similar to other companies I’ve worked at, there’s levels. There are different level systems but I don’t know what they are or what they mean.” Anne knew there were different titles but did not know how they relate to pay. “It’s just like, it’s just you just get it. You do a great job, you do a terrible job. I mean you do get a rating of some sort but that rating isn’t tied to the increase.”

Julie provided insight on her experience as a new employee. Based on working for two different companies, this is how she explained her lack of understanding on how compensation worked.

Like I said I had absolutely no idea. I had no idea how you even got a raise….‘Cause at both places…nobody even talks about that. I don’t know if it’s really taboo.
Marie felt unprepared about how pay works when she entered the workforce. She could not recall if her college career development office offered that type of assistance because she did not realize she would need it. When asked about expectations on pay when she started in her first job, Marie admitted she was uncertain on how to handle her first job offer.

I’m a first generation college student. I was the first person in my family to graduate with any kind of degree at all. I had no idea what I was doing, no idea what to expect. I had no clue whether I should ask for more than what I was being offered. My whole perception was that it was a decent start pay. If I reject it someone else is going to get the job. I want the job. There were 190 applicants for the position I got so I was pretty excited to accept and just move along. If I worked hard I could move up in the company. Having a foot in the door was more important than anything. It just didn’t turn out that way.

**Who decides pay?** When asked who determined their pay, I expected interviewees to unanimously say their manager. Most participants did believe their manager was the main driver for deciding pay levels, subject to approval from higher levels of management. Harmon was told by his manager that responsibility for deciding pay was her job. “It’s at the managers’ and hiring managers’ discretion of what they are willing to pay that position.” Harmon also added the need for financial approval. “So I’m certain it all goes back into a certain budget. If they don’t have money because other people are getting paid on the high end of that scale, they can’t afford to pay you that kind of scale.”

Sheryl felt strongly that Human Resources (HR) was responsible for deciding pay. She shared that HR thwarted her manager’s efforts to realign pay within her team.
My boss was trying to move people up each year, giving them more responsibility and getting their jobs re-graded through HR. HR is very inflexible with allowing that to happen. He’ll try to bump people up salary wise through a raise instead of trying to go around HR.

Joe had a different answer regarding who determined salary levels – “It was more…the Financing Department so I didn’t get too much in-depth…Everything was pretty much set up beforehand with the recruiter.” When I asked Joe to confirm if he was saying it was the Finance Department that determined pay, Joe responded, “Yeah, Finance or HR, I don’t know where.” I inquired if his direct manager had influence on that pay level.

I think they did but it’s all with when we were offered the position, there it was a set standard and there was no movement. So if they offered the position it was that grade and that grade only and there was no deviation away from that. Or I should say non-negotiable.

Next, I asked how this made him feel. “I want to say cheated, that’s a strong word but I felt devalued (long pause) for what they were offering. So I didn’t feel like [it was what] I deserved.” He confirmed he was told there were no options to even discuss it.

Adrian described how his position was converted into a new job and his manager communicated he would receive a raise. “But, it took like four or five months because it had to get approved by a few people. It had to go to Legal or had to go Accounting, it just took forever.” Adrian was unaware why the job had to go through Accounting and Legal and did not know why it was held up for months. In the process he learned it was not just his manager who decided his pay.
What is Fair Pay?

Ahlers (2012) stated when it comes to compensation “unclear equals unfair” (A Conversation with HR Leaders). As was demonstrated earlier, when employees lack the communication they need through formal channels, they will tap other employees or the rumor mill to get needed answers. Perception is reality in this scenario. This is a much more complex question than it appears on the surface. Participants indicated defining “fair pay” was one of the most challenging questions during the interview. This is where many took a long pause as they reflected on their answers. The most popular definitions of fair pay were related to value or worth of employee contributions.

Warren felt, “People ought to be compensated based on their value to the company. Granted that I understand that such a thing can sometimes be difficult to quantify especially for certain roles.” Carrie echoed Warren’s views saying fair pay is “having the job you’re doing line up according to the amount that you are worth to the company.” Bill extended this idea beyond pay and considered his whole total reward package including the work environment.

Something that I didn’t consider, I guess, until I had more experience, was just working conditions and the environment because I mean my mom is a prime example of someone who doesn’t really like their job but likes how much she gets paid. And I do take that into account knowing that maybe I don’t make as much as I could somewhere else, but I am very happy here. I don’t have a lot of stress. I like coming to work every day and that for me matters quite a bit. Almost, more than how much I get paid but it’s still nice to make a decent amount.

Joe agreed with this concept of employee value. He supported “finding a position for both pay and also what you care about, desire. I think it has to be both on the same level.”
Harmon’s perspective came from an economics standpoint. He also emphasized it is the employee’s responsibility to know what their fair value is in the marketplace.

Fair pay is what the market’s willing to pay you. That’s what I view as fair pay. Do I think people deserve to get paid millions of dollars for hitting a baseball even though I’m a huge sports fan? No. But if that’s what people are willing to pay because that’s what the market’s paying then, it is what it is. That’s such a public spotlight, but at the end of the day if you are a specialist or professional or someone that’s really good at their job, you can take that talent out into the market and people are willing to pay you. Now it’s your job as an employee to know that market and that goes back to looking to see what’s out there, what other jobs are available to you that you might be interested in or are equivalent to yours and what they’re willing to pay. So I feel that’s fair value and you make the decision. Are you being represented within your company near or close enough to that market value that you are comfortable with encompassing all the intangible things that you might get from the company? That’s my thing with fair market value and market pay and fair pay ‘cause I think when it comes to a lot of times fair pay isn’t really fair but it is what the market drives.

Milkovich, Newman and Gerhart (2014) define internal alignment (equity) of pay as “establishing equal pay for jobs of equal worth and acceptable pay differentials for jobs of unequal worth” (p. 683). At Lilly’s company, some leaders equated value to number of hours worked. Instead Lilly believed “fair pay should be based on output.” The measurement of fair work for fair pay was not based on actual quality and productivity.

It was very much, ‘Are you in your chair for 8, 9 hours a day? I want to see you.’ The director would walk around, almost like the principal, checking to make sure people were
still there. Now people could have done crappy work. It didn’t matter. So I think that if you get more work done, how that would be measured would vary.

Johnny was surprised by the question asking him to define fair pay. He admitted it was not a question he had considered before. His experience made him wonder if he had been led to think that was not an idea he should reflect upon.

Yeah, well just what should I be getting paid? That was a very good question. Actually I never really [thought about it], I don’t know why. It never really crossed my mind. I guess I wonder if some of that is somehow built in so that we’re not supposed to think like that (laughs).

Kate weighed in with this definition of fair pay, “Being paid properly for the effort expended and performance level.” While Marie also emphasized work performance, she included attitude as a factor in explaining fair pay.

Work ethic. Work quantity and quality. And attitude. They should all be combined and rated. And I think there are very few people that can perform highly with all of those attributes and the people that can perform with all those attributes should be rewarded substantially and then anyone who falls low in any of those categories should be like averaged out and they should just be an average employee.

Johnny thought about fair pay in comparison to how he saw colleagues work.

What is fair? Why does this guy make $100,000 a year and I make $42,000 a year? He goes out and golfs three times a week and I work all week plus extra hours. I go home. I gotta take care of my kid and I’m in school and I don’t have time to go golfing. I don’t have a second to go golfing. What did he do to get to that point?
Paid fairly? After defining fair pay, participants were asked if they believed they were paid fairly. Adrian’s approach for verifying if he was paid fairly was checking online salary resources, which he does “all the time.”

I have friends that work at other insurance companies. I may inquire [about pay] when I look at job postings for other companies. I definitely look at [competitors] because they are right here. I just keep my eyes open for positions.

The salary information websites are definitely popular. All but one participant shared they used salary websites to help determine if they were paid fairly. Those mentioned by name include Indeed, Glassdoor, Salary.com, Google, Salary Wizard, Monster and CareerBuilder.

Carrie enjoys checking out these salary resources.

Oooh. It’s fun to go online to see what people earn. I go onto those salary websites all the time. I’ll go on Google, I’ll just google marketing specialist salary at…[a specific company]…Salary.com I think is probably one of the most common ones. Indeed.com is another one.

When asked to assess the reliability of the free online salary data, she classified them as “helpful” noting that she used them to request a 20% pay increase for the new job she started a few months earlier. She was offered the job with a substantial pay increase but not the full 20% raise she had requested. Joe estimated the online salary websites were only about 15-20% accurate and said he doesn’t take them too seriously. He reported it was beneficial to read reviews on the different companies and found this equally valuable to the compensation information. Joe offered a caution to users of these websites and stressed contacting individuals with experience in the field as a more reliable avenue to obtain data.
I take everything with a grain of salt. You kind of have to weed out the bad reviews, weed out the good reviews, and then just take it as you would. I’ve trusted my friends that have been in the field for about 15 years. I take their advice more seriously than online.

Even with the questionable trustworthiness of the salary website information, participants were not dissuaded from continuing to use this as a source of salary and company information. Bill rated the salary websites as “pretty credible” saying he checks multiple websites to enhance reliability. Warren stumbled upon Glassdoor about a year ago and used it to check the pay for a job to determine if he should interview or not. Previously, he went through the interview process to find out a position’s compensation. Lilly also applied to other jobs and received offers that confirmed the fairness of her pay.

When Abby was asked how she knew she was paid fairly, she laughed as she responded with, “A very sophisticated Google search.” She realized looking up jobs by title only did not necessarily match the actual responsibilities. Abby questioned, “So is that fair or not? I don’t know.” Regarding gender equity and pay for performance, Abby stated she had no way of knowing if her pay was fair.

I don’t know if I should call it concern or not, but it is a heavily male dominated organization so am I being paid fairly similarly to what a male counterpart would be? I would have my doubts there. I am a very aggressive individual. I don’t like to do things half-assed I guess I like to be rewarded for going above and beyond.

Tina also uses salary websites to check if her pay is competitive. She, too, questioned the accuracy of the data.
I look a lot on Salary Wizard, and I look at Indeed. You can enter the title you have now and then enter your pay rate…and then it will give you jobs that fall into that criteria. You can see how many are paying…about the same rate as what I’m getting paid today. And then you can adjust it and say, ‘Okay, how many are getting paid less? How many are getting paid more?’ I usually wonder with those types of sites, is that legitimate or not?

Marie keeps current with salary data but pointed out the flaws of the data not being specific enough to be considered credible. She also searches for additional data from public jobs that post salary information.

I’ve been looking for years. I like to stay informed about what positions are available in my field and so I look all the time no matter what. Even now I still keep looking just to know what’s out there. Employers are very secretive with the amount that they pay unless they are like the FDA (Food and Drug Administration). They’ll display their pay range or certain companies will say how much you make. Like the city employee jobs, it states right on the city website how much you’re gonna make. So, I find it difficult to know. A lot of times when you do those [searches for] what a research associate makes, you google that and it gives you a range like median is $50,000. You’re like well is that someone who’s been there for 10 years, 2 years, 20 years? What level are they? Where do they work? I don’t know. So I find that very difficult information to interpret. I don’t really know, I have no clue what anybody else makes or what anything is.

Anne discounted the value of the salary websites but conceded that she checks out Glassdoor when she is job hunting. Being in the research business she has insight on what is
required for reliable and valid results. She is hesitant to personally submit her own salary information.

They are more valuable if more people are contributing their information. I personally didn’t contribute mine because…it makes me too vulnerable. I’d like to know what the range is and where I fall within that range. What do I have control over in order to make movement within that? And I feel like if both things are in place, it could be that I’m paid completely fairly. It could be that I’m paid more than other people in my position, or less. I really have no way of knowing that right now. In order for me to even know that I would have to be able to at least see that range information and then I would like to know what I can do to move myself up.

In reflecting on fair pay, Anne also wondered about a female project manager who had not been promoted to senior project manager. This woman had more experience than a recently hired male senior project manager. In her mind she did not see this as fair, and in the absence of knowledge on how to move up in the organization, she questioned the equity of these roles.

The woman who sits next to me is slightly older than he is and she’s been there a long time, too. She’s not a senior project manager and I just kind of wondered, “How did that happen?” Not that I want to say he’s not deserving of it, but it’s unclear to me how that happened. So, I guess I wonder about things like that, but I don’t spend a lot of time getting too worked up about it.

Sheryl also questioned the promotion practices at her company, but for different reasons.

I feel like sometimes the company tries to keep everybody at the same level...on the same job trajectory and not move them up until all of them are ready to move up. I would say
that fair pay to me is the value that you provide back to the company, not necessarily job classification of the box that you fit in.

Harmon shared a story to highlight a situation he saw as inconsistent with fair pay in this company. He noted how pay inequity impacted morale and job satisfaction.

We were brought up [in pay] because we were behind so that was a point of contention. When people go visit another division and come back saying, “Man they’ve got the cushiest job on earth: they never get yelled at, they have so much stuff done for them because that’s just how the system was set up back then.” This is just how that division works. It’s way more streamlined and they get paid more and everything’s nicer over there. Where over here, I go through way more crap and I get paid less, and I get yelled at all the time. [This job] stinks, man why do I want to be here anymore? So then you talk about morale. Morale goes down because now people are just drooling the next time a job opens up. So now you have the entire team waiting for the next job to open up for the next division. It opens up and everybody in the group applies and now you have competition with the group trying to jump ship. It’s a weird dynamic and they finally kind of righted that. I think it’s created by our dynamic and now it’s to the point where I saw one of our co-workers who went to another division and she’s pining to come back ‘cause she’s saying, “Even though I’m getting paid the same and everything as my old job…it’s boring over here. I’m bored sick and some people can deal with that but I came across the street for the money. Now I’m bored. I’m getting the same pay, and I want to come back and have more excitement and more involvement in my day-to-day work life because it’s boring as sin over here.”
All participants, with the exception of Johnny who worked for a small company, indicated they had a performance evaluation system that was expected to influence pay. When asked if performance ratings impacted pay, Sheryl said, “In my experience, no. Minimally, if anything. I would say this is true for most people I’ve observed as well.” Julie was also disappointed with pay allocation at her company and did not see it aligned with performance.

I absolutely loved the company. I enjoyed what I did but…a main factor [for leaving] was pay for performance. [My company] has just a flat rate and pretty much everybody gets about a 2.5% raise and that’s about it. [Performance] doesn’t matter.

After researching the market value of her position Kate requested an increase in pay with her manager. The company was dealing with an acquisition and she was asked to be patient. Eventually, she was granted a pay increase. Here is how she justified her request.

Recently in doing my research on trying to get compensated better there was a $15,000 - $20,000 gap from my role to a similar role at an outside company. I just told [my manager] I need to be compensated for the work that I do and I love what I do, but I have to take care of my family and provide for them and if it requires me to continue to travel and work extended hours further than the normal work day then I personally need to make that change because from my standpoint I want to be valued for what I do. You can be told you’re doing a good job, but I think actions sometimes speak louder than words and if you have good employees you should compensate them for doing a good job. My mindset was, at the end of the day, why am I going to continue to perform, stress myself out, take time away from my family when there are other people within the company that come in at 8:00, they leave at 4:30, they don’t travel, they don’t have to take their work home, and they’re probably getting paid the same, if not more.
When I asked how Kate felt when she was awarded the pay increase she had requested, she replied, “Valued – my work was being valued and I was being compensated for what I was worth.”

To evaluate fair pay, Sheryl took advantage of career services at her university which provided her access to specific compensation survey information and training on interviewing and negotiating a compensation package.

I’ve been exposed to different types of salary surveys. I’m also still heavily involved in my college that I graduated from. With their career center doing things with students, mentoring, help[ing] them practice interviews. It’s interesting because the grade level is posted but nobody knows what those grade levels are. I know if I’m a level 33 but if it’s a level 35 the salary is probably generally more. I’m a level 33 and if the job level is a 33, I know that it’s either the same or less. If it’s a grade level lower than mine I just have a general inclination that the salary is probably lower. There is no communication on the ranges of salaries that are included within each level.

Harmon also tapped external salary services; his connection is through an industry association.

Within my field, I’m a member of a [professional association] so even getting the emails from this organization they have [jobs] listed across the country so that even if I’m not looking for a job, I just look to see what is out there. What’s current as far as pay? Obviously each market is different, but at least it gives you an idea if there is a listing how much the pay is and what pay is for certain jobs in certain markets. It keeps me up-to-date at least to a certain range of what the current pay is for certain positions.

From Warren’s previous experience working in a larger company, he highlighted the company’s efforts to communicate they were “in-line with market averages and they will try to
survey the market to determine what the average compensation and benefits are for similar positions and make sure that the compensation for employees is near those averages.” This was the company’s approach to fair pay. Warren pointed out that can “sometimes work to your benefit and sometimes it can work against you because they’re pretty much always trying to drive you toward the middle of the bell curve.” Warren shared a different way his current company managed compensation.

I think they tried to be upfront about the fact that…you’re all much more vital, play a much more vital role in the company’s bottom line and the company is healthy and the business is good and try to reward the employees with a larger increase in compensation, again a uniform compensation increase. And if the company is not doing so well then it will be reflected in the compensation. I think in a smaller company you have less insulation against some of the business cycles so it hits all the employees a little bit harder. On the flip side, I don’t really like being rewarded for things that I don’t think that I did. I’d like to be evaluated fairly and I would like my compensation to reflect my value to the company and my achievements rather than my ability to manipulate the system politically.

Carrie responded to the question of “How do you know you are paid fairly?” with “I don’t think you do.” She expressed she would like to know, but she would need to know comparative pay information on other positions within the company. Carrie added, “Putting the right person in the right job…is the second part of fair pay.”

**What does Pay Symbolize?**

In understanding compensation and the drivers motivating employees to contribute at higher levels, it is important to understand what motivates employee behavior. Knowing what
pay means to employees is a significant step in aligning behavior and rewards in a successful manner.

**Family lifestyle and quality of life.** A common theme emerged from participants’ descriptions of what pay symbolized. They talked of the importance of supporting and providing a good quality of life for themselves and their families. Tina, Kate, Abby and Lilly lent their voices to this topic.

Tina: [Pay]…symbolizes comfort for my family so being able to get my kids in good school districts, buy a house that they can grow up in, in a neighborhood where they feel comfortable…and possibly take more trips. I don’t need a lavish life but I obviously work to get my pay to raise a family and have some of the comforts of life so when I think about my pay and why I push myself the way I do is because I want my family to be able to enjoy some of those things. And enjoy what money can bring, it’s not that it’s everything but it does bring some comfort in life, some fun.

Kate: Home and family. I want to provide for my family and give them the way of life I had. My salary means being able to provide food and clothing, pay bills – provide a good quality of life.

Abby: For me it’s to provide for my family but it is also the cost of spending time away from them. I travel quite a bit so I want to be compensated heavily for it because I am sacrificing a lot of family time for those kinds of situations. So it’s for the work that I do here but also for my time spent away from the home.

Lilly: [Pay]…represents lifestyle. Like if I didn’t have the pay I had and my husband didn’t have the pay he had, we wouldn’t be able to live the life we have now. We’re not scimping. I’m in a mom’s group, and a lot of those moms are stay-at-home moms and I
really envy the time they spend with their kids but they also have to be a lot more budget conscious. Right now pay means if some night we don’t feel like cooking we just go to Noodles. Or it’s just flexibility. We can go camping, we can take trips…we’re not constrained in our budget. So it’s just lifestyle.

Stress reduction was another component of quality of life Johnny and Tina brought up in their interviews when asked what pay symbolizes. Johnny said, “When I’m running low on money or if I am using my credit card a little more than I want to, I get stressed out. Those times where I’m feeling like I got extra money…I’m just like way more relaxed, way more at ease.” For Tina, pay “removes a lot of stress. Not having to worry about every dollar. Once you have three little boys you don’t want to be stressing over every single dollar that you make.”

**Personal value.** A sense of value was how Marie and Adrian spoke of what pay symbolized in their lives. Marie expressed the personal nature of this value and how pay confirmed that progression to higher levels of value.

It gives me a sense of personal value. I could care less how much people make in life, I don’t judge people based on how much they make, however, it’s important to me because it symbolizes how hard I’ve worked. It’s not necessarily the amount…I was here and now I’m here because I worked hard. And if I worked hard and I get a minimal merit increase or recognition or even positive input I think that’s difficult. It shows that you are making progress in your life and you are learning and you are more knowledgeable and valuable in your profession and that you’re not just starting out without any work experience.

Adrian remarked that pay was “compensation for work done” considering it the value exchanged for the accomplishments delivered.
Warren saw pay as symbolizing the “fruits of your labor.” He added, “I guess it’s the compensation you get for the work you do for the company.” He related to the total rewards concept of compensation including other benefits in addition to base salary. Warren also reflected on the need for companies to make a profit.

We’re all so highly specialized now that money is the currency that we use to change goods and services and obtain the things that we need to live the lifestyle you’re accustomed to. I’d like to think that my pay reflects my value to the company and so if I’m paid X, ideally I create slightly more than X dollars for the company. I attribute at least that much to the bottom line, actually probably considerably more unless you include the total compensation because then all the benefits, health care and what not are very expensive, so they’ve got to be figured into your total compensation.

Joe and Sheryl saw pay symbolizing a return for the time they invested on the job, which takes them away from family or other pursuits.

Joe: I think with pay it symbolizes the time I’ve put in so far with my experience and my background. I think the feeling of gratitude knowing what I’ve done in the past and feeling accomplished that I’ve done something and I’m being recognized for it.

Sheryl: I see my…co-workers more than I see my husband. What you want to pay to me symbolizes how you value or how you’re valued for dedicating your life to something. Maybe I need a hobby (laughs). Maybe that’s what that means. But anyway that’s where, that answer will probably change depending on the stage of life that I’m at.

Success and opportunity. Pay for Harmon also hinged on improving his personal life, but he framed it as opening opportunities including other elements of compensation beyond base
salary. Earlier Harmon shared he receives an “absurd” amount of time off and this is as valuable, or possibly more valuable, than more pay.

It symbolizes opportunity I mean the reason that we all strive for the most part is to move up within a corporate structure in your professional life. To hopefully increase your pay and increase your opportunities down the line to make your personal life better. That’s what it represents to me. I think that maybe along with pay there are also the perks of other things that come with it. There have been times when I’ve had the opportunities for more pay but less other perks in a position. I’m not willing to drop those for an increase in pay just because there’s a certain comfort level I have in other things available. I’m not willing to take more to give up the other opportunities that aren’t represented by dollars. I think the biggest thing is…to move and create a better opportunity for yourself in the future.

Carrie had explained earlier that she grew up with her parents modeling humility and reluctantly remarked that her response was contrary to her upbringing.

My dad would probably cringe if I said this but to me it symbolizes my success. If I make more then I’m more successful in my job. Which isn’t necessarily true but that’s just kind of where my head is right now in my career.

**Summary.** Employees had a very basic understanding of pay practices and sometimes received conflicting information. There is an interest in learning more about compensation so it can be used to plan their next steps with the company. When it came to making pay decisions, some participants believed the real decision makers went beyond their manager to HR or Finance.
Definitions of fair pay varied among participants. Although numerous individuals defined fair pay using concepts of compensation in proportion to the value contributed by the employee, the interpretation of value was hard to measure. Was it hours worked? Results achieved? Market rates? This could differ from organization to organization. Some participants saw economic value as being paid in proportion to the earnings an employee influenced, taking into account the supply and demand of the job in a particular industry, geographic location or type of work performed. Employees, not just employers, need to know their market value in determining if they are paid what they are worth.

In determining if employees were paid fairly, confirmation typically relied on access to comparative information. Some participants questioned if employees could truly know if they were paid fairly unless open communication and pay transparency existed. In addition to base pay, other monetary and non-monetary compensation should be included in determining fair pay. The combination of factors making up fair pay can be unique for each individual and can change depending on lifestyle circumstances and career goals.

The primary theme was participants saw pay as a symbol for quality of life and family comfort. Pay also symbolized personal value in exchange for the contributions made to the company. Quality of life included stress reduction provided by a steady paycheck and some did see it as a pathway to greater opportunity and success. I had expected status level to be a common response as a symbol for compensation, but the participant data did not support that result.
Communication Approach

Communication Practices

After identifying what compensation knowledge participants possessed, I focused on finding out how they learned what they knew. Predominantly, research participants reported managers normally communicated monetary compensation. When asked where they would go if they had a pay-related question, most participants mentioned their managers as the main resource.

Fairchild (2015) emphasized effective total rewards communication needed to be leader-centric, not HR-centric. Leaders need to personally communicate the messages around compensation and educate their staff on pay practices. This assures accountability that managers are knowledgeable on compensation practices and can effectively handle employees’ pay-related questions. Communicating compensation is an inherent expectation of leaders, equally important to achieving project goals, managing budgets and developing critical talent. Confidence in managers’ ability to effectively communicate is part of the trust relationship between employee and leader. Annually, managers are trained on Total Rewards communications so they are equipped to share this learning to their teams. Additionally, user-friendly online tools have been developed as another vehicle to educate employees on pay and benefits.

Employees identified mentors, colleagues with longer tenure, their Human Resources (HR) contact, intranet websites or employee HR Help Lines as additional sources of compensation information. When it came to details about personal pay, the first choice for participants was their manager. Employees with good relationships with their managers were more apt to direct their question to this resource. Harmon said he’d ask his boss pay questions.
“My boss is pretty open; I mean she’ll share with me what she can.” Harmon also replied, “I’ve been instructed to go to HR if I have any questions.” The nature of the question was what determined which direction he took.

Sheryl greatly benefited from tapping the career services staff at her university. She used salary data they supplied and negotiating tips to land her first professional job. In situations lacking pay communication, the grapevine or co-workers were often mentioned as the information source for pay practices. When validating pay to confirm equitable salaries or obtain a new job, participants used their social networks to gather information about the industry or position. When Kate found herself taking on more work and travel without additional compensation, she used her network to learn the appropriate level of compensation for her position.

I have friends also in the business and they’ve been pretty open with their salary and what they make in similar roles or companies. And just researching, doing job searches looking at the criteria and some of those companies list what the base salary is or here is what that pay range is.

Rarely was it mentioned that new employee orientations covered any compensation topics.

Curiosity and seeking answers. Curiosity paid off for participants who described being “nosy” as the way they learned about compensation. Tina shared her organization pays certain groups higher than others and caps promotional increases at 10%. Tina revealed how she learned this information.

Hmm…being nosy. My boss tells us a lot of that ‘cause I ask a lot of questions ‘cause I’m curious about it. I’ve asked our HR director, whom I have a really good relationship with, about getting promotions within the organization and she’s been pretty open about
telling me that. Now I’d probably say she wouldn’t be with everybody but she said that we could because we have a good relationship. So I hear it from her. Otherwise my boss will hint at things like that. But again it’s not something that they share openly throughout the organization.

Sheryl, who touted a good relationship with her manager, said she had access to more pay information than her peers. Although she had worked at her company for five years, she had no information on salary ranges until her manager involved her in hiring a new employee for their department.

I probably know a lot more than I should or a lot more than HR would feel comfortable with me knowing, and I’ll be very honest about that. I work for our Vice President who is very, very open and he’s a communicator and likes to be very transparent.

Not everyone was comfortable seeking compensation information from his or her manager. When Marie was asked about how pay communication flowed in her organization, she related her reluctance to approach the subject with her manager.

I just felt uncomfortable asking, like it was not up for discussion. I’m a very direct and forward person so if anybody would ask it would probably be me. I didn’t feel comfortable asking…I think it’s management. I had a very, very communicative and good relationship with my supervisor. She’s “no question is a stupid question, ask whatever you want, just talk to me.” We got along really well; I respected her as a leader. Her work ethic I really respected. She would listen to my ideas even though she really couldn’t do as much about them ‘cause she’s a supervisor. My manager I struggled with. I respected him a lot but he…could never be wrong and to him things are very straight forward and easy to understand. I’m a very detail-oriented person so for him to
understand my learning capacity and abilities and need for details, he just gets frustrated with that. We had a disconnect; he just wouldn’t understand my very forward personality. I’m not trying to be rude and I ask things in a nice way. He just doesn’t like being confronted with hard questions and didn’t like confrontation at all. So maybe that’s where my discomfort came from is the leadership style.

When prompted if she struggled with bringing up other topics with her manager, Marie responded, “mostly just pay.”

Bill was also curious to learn more about pay compensation at his company. While on his company’s intranet, he happened upon the grade levels and salary ranges for all positions.

Yeah, it’s on our intranet. And any employee can go in there and look at the pay scale. It’s not really advertised to all employees but it is available to anybody who wants to look for it. I’ve checked it every now and then. I checked it more frequently when I was trying to move up.

When asked how he learned about the semi-secret source of pay data he had stumbled upon, Bill’s response was, “I think it’s one of those security through obscurity deals where they have it out there but they’re not telling people about it.” Bill went on to say once he discovered it he did not mention it to his manager or co-workers. When asked why, he indicated that if others were interested they would seek it out themselves just as he did. He was preserving the security through obscurity stance his organization practiced.

Mentors. Julie said she learned what she needed by asking questions and identifying a mentor she could build a relationship with, one who had her best interest in mind.

It depends who your mentor and manager are and who can help identify those strengths and work toward it and reward you. When I actually first started I was under a different
manager. [There were] no raises, just didn’t have that direction. I didn’t have anybody mentoring me. It was really confusing to me at that time. I was coming straight out of college and…I just didn’t even know how to get to the next level. How do I even get an increase in pay or anything like that? We had a manager come in and I was put under her and she just has been my amazing mentor. So she helped me. She recognizes my strengths…and she finally helped kind of push me as she explained to me how the compensation works there.

Anne also benefited in one of her first jobs when her manager took on the role of mentor and taught her how to ask for a pay raise.

I’ve never asked for a raise or anything like [that]. I had a job in high school working in a balloon store with a party store and I started to kinda nervously ask my boss about it one time, about pay. And he was like “Are you asking me for a raise?” and I was like “Well, yeah I guess I am.” He sat me down and he was like, “Well then here’s how you do it.”

**Changes to jobs.** At times, compensation communication was only shared when job changes were taking place. Lilly and Harmon were in the dark about their salary levels and ranges until a job review of their positions was conducted. Recently, when they were going through the process of having their jobs reviewed and updated, they were finally informed about the salary range for their job. Lilly described her experience.

When they rolled out [job changes]…to me it made sense. It never really made sense why our group was little and special and didn’t follow those rules. So a lot of people were upset but it’s changed. And they presented some slides and they rolled it out and they said, “Well here’s the [salary] range for this new whatever job level we’re going to
be at.” I think that was really eye opening because a lot of people didn’t even know the range; I didn’t know the range.

Harmon expressed frustration when he realized that employees in a different division were doing what he perceived as his same job with a smaller scope of responsibilities. In this job they were assigned to a higher grade level and were getting higher pay. A colleague of Harmon’s received one of these positions and gave a firsthand account confirming the inequity in these roles. Eventually the company reviewed both jobs and made them consistent in grade level and salary range.

Sheryl indicated for the first five years of her employment she didn’t know how position levels were determined. It wasn’t until her department created a new position that her manager shared this process with her.

In my understanding what they do is the department that is needing to get a new job or wants to get a new job in the system they’ll write up a job description, give it to HR, HR will then compare that job description with others and the geography of employment. So here it’s in the Twin Cities. They’ll compare it to other Twin Cities’ businesses. And say okay, what is a similar job in a different industry being paid? Then [they] bring it back to corporate and level it out between other like jobs within the building….There’s consistency in the building but also you can try to be competitive with other like-sized jobs out in the industry. So that’s my understanding of how it’s done but it’s not communicated very well. So often times you have no idea where your grade level came from.
**Temptation.** At a previous organization, Lilly confessed curiosity took over when she became aware a file with department salaries had been attached to a meeting on her manager’s calendar.

My manager was having a meeting with our director and with the other managers too and so this was on his calendar which they’d told us. They did not admonish us from looking [at the calendar]. So the director had set up the meeting and it had an attachment and it was a meeting to discuss everyone’s pay. The attachment was an Excel document with everyone in our department and their pay. I looked at it, which I really should not have looked at because it was not for my eyes but I was very curious and so that was the first inclination that, wow, things are really screwed up here and this is not equitable and I need to get a different job. But it was very enlightening because pay was never discussed there and now I see why: because some people were really paid not very much and some people were paid ridiculous amounts and really kind of for doing the same job.

Shortly after this incident Lilly did follow through on her plan to change employers. Before she left, Lilly notified the appropriate parties that salary secrecy was being breached with the practice of including confidential files in electronic meeting invitations.

Tina-related an experience when her director shared some information on specific Management by Objectives (MBOs) they were working on together. The document with these objectives included his bonus level. When it was left out on his desk, Tina felt compelled to take a peek.

Yeah, bonuses always intrigued me because like I said before I’m on a bonus structure and I think the majority, I’m almost positive that 90+% of everybody at the organization is [bonus eligible]. My boss at one point left his MBOs out on his desk in front of me
and he was purposely kind of showing me pieces of it and his bonus structure of course is...about my salary in a year (laughs).

According to Warren, salary information often is shared when project budgets are created. He pointed out there is a personal choice involved as to whether or not you give into temptation to investigate pay data. There are consequences of knowing information you’d rather not know.

I think people who are responsible for managing contracts get information...this person worked on this project for this many hours and here’s how much that cost in terms of the budget. You could pretty easily figure out how much their co-workers make. I actually resisted that temptation because I generally find for me personally that I just really don’t need to know. It wouldn’t do anything for me to know that I make more than some of my co-workers and even though I’d like to think I’m above such things, if I found out that somebody else was making a lot more than I was, then it may put me off a little bit so.

Grapevine. In the absence of information, participants tended to seek answers on compensation via the company grapevine. Anne’s company was going through layoffs as she recounted this experience.

The rumor is that people that were laid off in the first round were hired at the top of their pay range. But I have no way of knowing that for sure. I personally just don’t like to ask questions like that. Most of the information I get is just from people sort of telling me. Communication is the platform to build an effective strategy of program transparency. Without official communications, employees are apt to fill the void with rumors and conjecture (Chou, 2010). Warren obtained pertinent pay information from the grapevine. He learned from his co-
workers the differences in pay levels based on an employee’s assigned performance classification.

Joe found his managers were not helpful when he had a pay question. He stated, “I think they were more in the dark…they had to be directed to go to the HR Help Line and make a phone call to them.” When Joe expressed his managers and the HR Help Line did not provide reliable answers to his questions, I asked him what he found to be the truest source of internal compensation information.

I think the sad thing is just through my other colleagues. If you’re not gonna get a direct answer from a manager you’d ask other people that have been in the business for a longer term than I have. So if it was either at annual reviews or if it was bonus structures, just asking people that have been there longer term.

Abby was also perplexed about the lack of communication from the leaders in her organization; she pondered why would they “be okay with…being informed through rumors?”

**Discussing Pay**

With whom do you discuss pay? When this question was posed to participants, the most common response was they discussed pay only with their manager. Participants were protective about revealing specific pay information. Generally these types of discussions were restricted to people who already knew their salary, their manager. Secondly, they would tell their spouse because the money would be deposited in a joint account at their financial institution. A few would talk to their HR contact about their pay as a third source. Participants did admit they shared general pay information with close friends but not specific pay. Especially while employed at a company, participants refrained from sharing their salary level with co-workers. Carrie did acknowledge once when she was leaving her company a colleague asked what she
was paid and she told him. Kate responded when it comes to compensation she converses with “just family and some friends. I don’t share pay with very many people. I keep it to myself.”

When discussing salaries, Lilly pointed out the pitfall of discovering her pay was higher than her co-workers.

My co-workers…but we do it in very vague ways like my two best friends, my co-worker best friends, we have never discussed what we make. I have an idea but I don’t really want to confirm it because I think it would be awkward because I think I make more than them. So that’s why I don’t want to bring it up.

When it comes to discussing pay with others Adrian stated his policy not to talk to anyone outside of work about it. He shared that his mother asked about his pay and he didn’t tell her his salary. “I mean I think she just wants to know if I’m really okay and I say ‘I’m fine Mom’.” Adrian’s girlfriend works for the same company and he added, “I think we both fish for who gets paid more.”

Wagner & Harter (2006) stated, “Pay comparisons among employees spark intense emotions” (p. 191). Johnny commented he used to share pay information quite openly until he learned a lesson about discussing pay and has taken a new approach. He showed the intense emotion that can be stirred by the perception of pay inequity.

I’m a very open person so I used to discuss it with anybody and I’d tell my friends what I got paid. But now as I get older I’ve discovered that’s not a good idea so I do not discuss pay at work. Very dangerous, people can get jealous or upset, or they think, “You get paid more than me and you’re sitting there looking at your phone. I’ve been here longer than you how can you be getting paid better?” So it becomes more of an emotional thing and I think that can be tricky for some people or that jealousy thing even. I mean I’d be
pretty upset if I found out that a certain couple of people were making more than me.…
I’d be like are you f***ing kidding me, pardon my language, but you sit on your butt all
day and I’m working my butt off for you to help your sales…and you don’t even come to
work and you’re making how much money? It would make things difficult and so there’s
just a personal example. So I’ve learned from personal experience that I just can’t talk
about that. In fact my wife knows what I make but we don’t really talk about it. So it’s
not even really a conversation at home.

Joe expressed a similar attitude when reflecting on a situation of unfair pay. “Comparing
what you do to what I do and figuring out how you’re making more than me but I’m doing three
times the work that you are. So I think that’s where it got frustrating.”

Warren also believed respecting privacy and not sharing information on compensation
was his best approach. He indicated the stigma associated with this subject as being taboo.

I don’t really talk about it too much unless my family or friends [ask]. I could guess but I
don’t know too much about how much most of my family and friends make. I don’t, I
guess co-workers don’t really discuss it that much. I don’t know, maybe it’s just the
companies I’ve worked for but it kind of seems like a little bit of a taboo topic. Maybe
for the reason I mentioned earlier people would just rather not know to avoid possible
bad blood.

Marie identified respect as the reason she preferred to keep compensation private. When
asked with whom she shares salary information, this was her response.

Like my siblings know and that’s it…it’s a very private matter. I think it’s to be
respectful of other people. It’s not something you should discuss. So like you make
someone feel really good and pompous about how much you make or you might make
someone feel bad about themselves because they work so hard and they’re getting paid so much less than you. I just don’t think it’s respectful. Like previous relationships I’ve had with boyfriends…they’ll tell me all the time. I know almost every single boyfriend’s salary, not that many, but I know how much they make ‘cause they just express it to me but I’ve never revealed to anybody how much I make. Maybe a ballpark but it’s very private information.

Abby was more open to bringing pay transparency to the forefront. She was in the first year of her current position and had not gone through a merit pay increase cycle with her company. As she tried to seek out information on how the pay process worked, she learned compensation was not a topic co-workers were comfortable discussing. The conversations that occurred were prefaced with “okay, this stays between me and you” so she would be afraid to “break the rules” by sharing that information.

I would say in general people are still hesitant to say what their amount is. People get kind of quiet when you talk about actual salary…but it’s not something that I’m necessarily afraid to talk about.

When asked how she would react if a co-worker asked her how much she was paid, Abby responded with greater hesitancy.

I don’t know. That would be really uncomfortable. I’ve never thought about that. For me again though it goes back to I would feel that I wasn’t allowed, that is an area…that is not okay to be transparent about and so I would probably try to side step it somehow.

Bill learned that speaking up about pay has its advantages. His company conducted an employee engagement survey that included a question on pay satisfaction. When Bill indicated he believed he was underpaid, he received a prompt pay increase.
HR has a lot of surveys that they send out and I don’t know how often people pay attention to those but they sent out a survey a long time ago and one of the questions in the survey asked about compensation. I had put a comment in there that I didn’t think I was making as much as I should and they actually addressed it. I was a bit surprised that they listened to me.

Bill went on to say he normally wasn’t comfortable standing up for himself. When asked why, he continued by sharing this reason.

Well, I guess…I think this kind of comes from maybe just my growing up that I didn’t speak up very often, but I know, I’ve been learning to actually speak up when something is bothering me now. I think that’s kind of a hard habit for me to break but to actually have somebody listen to me about something like that, that was a little surprising, but it was a pleasant surprise.

Julie described her disappointment when her manager offered to match her pay when she resigned her position. She demonstrated the importance of discussing compensation and future opportunities or risk losing a talented employee.

When I did put my notice in he just didn’t even care to understand why I was looking. He just cared about making me stay. So he was like, “We’ll match it. We’ll match it and I don’t care whatever they offer you. I’ll give you this same exact thing.” And it was like that’s so beyond the point and he just didn’t understand the point. So, I feel if they were more open about, “Hey here’s your career path.”…I really thrive in the pay for performance culture and that’s just not where [the Company] is so I find myself…bored in my job. I try to take on more responsibility: I try to get to the next level and I just would never get those responsibilities. Just that drive of knowing like hey there is a
possibility of getting this increase or being compensated [would help]. Sometimes I
don’t even care about getting money for compensation. Sometimes you just want the
recognition and there was no recognition there. But then he was like, “Oh well, just
‘cause it’s only 2.5% every year. There’s other things we can do in order to bump up
your pay.” It was stuff like that you don’t really relay to your employees. Of course
you’re going to have low employee morale if there’s nothing to work hard [for]. I
understand that not everybody is that way but that’s how I am and I’ve been very open
about it from the beginning. He totally could have done it different[ly]….At least just put
more focus on the career track ‘cause like I said if I love my job I don’t care how much
money I get paid if I enjoy it. I would have never looked otherwise.

Julie summed it up by emphasizing that it was not her intent to leave the company but the lack of
pay communication was an obstacle for advancing her career. Coupled with her manager’s brash
behavior and hostile communication, she decided to move on.

I would have been open to negotiation on the job if he would have reacted better when I
told him about the job. He reacted extremely poorly and he even cussed and sweared and
everything else under the sun. But if he would have reacted better, I definitely would
have stayed ‘cause, like I said I loved the company. I really did.

Seventy-three percent of leaders don’t have confidence in their managers’ abilities to effectively
communicate wage and salary issues with employees. When managers are informed, educated,
trained and supported in compensation matters, they’re better able to handle the tough
discussions are challenging and often awkward, yet avoidance is not an option. Harvard
Business School Professor Narayanan stated, “These are the most important conversations you have throughout the year” (as cited in Gallo, 2014, p. 1).

When asked how he would react if someone asked how much he was paid, Harmon responded with this story.

I don’t talk about pay, a number; I don’t say. I don’t want to say that’s my number. Because it’s either going to make people talk, and people are always talking no matter what, whether it’s good or bad or just indifferent. There have been times where other people just flat out say…“This is how much I earn. How much do you earn?” I’m like why? First of all, I didn’t need to know that. Second of all, it makes me think it’s not in my head like it was well below me. I’m like, “Man how did you get paid that little?” It makes me wonder. But still I don’t use an exact number.

When participants did not have access to compensation information they had to improvise. An approach participants used to learn about future pay opportunities was to align career planning with co-workers. Julie stated how she dealt with the lack of information as she looked at her career trajectory.

I’m a planner so I like to have my career path of where I want to go and I do a lot of research. So if I want to get to a director level in this or as I’m working in the organization and see different roles I mean obviously I don’t ask people. I guess it’s kind of taboo to talk about pay and stuff. So I kind of just look at [the fact that] I want to be where Nathan’s at someday. After I talk to him on how you get there once I figure that I’ll go out there and I’ll kind of like research the pay ranges for those types of levels just to get a feel for it. Once I’m starting to get higher on the corporate ladder I don’t find those pay scales very much anymore.
Julie indicated it was difficult to learn about the salary ranges for higher level positions in her company. She found this to be an obstacle to her career planning and a source of dissatisfaction.

**Personal salaries: Private versus public.** To gauge the level of pay transparency participants desired, I explored their comfort level with exposing the most personal and highly guarded aspect of compensation: personal salary levels.

**Private.** Should individual salaries be communicated publicly within organizations? When this question was posed, most participants didn’t want their personal salary revealed. Yet, they did admit to being curious to know others’ salaries. Co-worker pay appeared to be on employees’ minds based on Carrie’s story of a dream she shared.

I just had a dream that they posted everyone’s pay. We were meeting as a group and my boss had everyone’s salary on a PowerPoint projector screen and then what their increase was gonna be. It was ridiculous. A guy was making $222,000 a year and then this other guy in another department came over and offered me a job that would pay me $115,000 a year. It was just all over the board….but it was terrifying ‘cause oh my gosh they make that much money. I think it would get very political. It’s already political enough in a large organization like this.

When asked about her own reaction to having salaries posted Carrie stated, “I’m very competitive so the first thing I would do is go look and see what all my classmates were making to see where I rank in my class.”

Nosenzo (2013) noted, “Pay secrecy is often justified on the ground that letting employees engage in pay comparisons might have detrimental consequences for effort provision: pay satisfaction and work morale may be damaged if employees discover differences between their own pay and the pay of co-workers who are in comparable positions within the firm” (p.
1790). In conditions where salary differences may be viewed as unfair, pay confidentiality rules may be most appropriate. However, Nosenzo added, “In other settings pay inequalities may actually be perceived as fair and may thus be effort-enhancing” (p. 1792). For example, if a company’s compensation was based on performance and employees understood the expected performance level to earn more; that could be a vital pay strategy. Johnny believed seniority was a legitimate reason for pay differences at his company when he said, “I would hope that they would make more money than me. They’ve been with the company a lot longer.”

Tina’s reaction to exposing employee salary levels was, “A riot would break out. No, I don’t think it would be a good thing.” She explained that under a previous owner the company paid extremely high salaries, but the current leadership instituted a policy of below market wages.

I already know there’s people at the organization that have been working there for maybe two years more than me that are making significantly more just because of when they came on. There’s other people who are…quite new into their career but yet they’re making very, very minimal pay. I think it would be a hard, hard thing for people to swallow if they knew what others were making. Anne also believed “a lot of riots” would erupt.

Especially in the wake of layoffs I think there would be a lot of, “Oh really, so and so gets paid this much and yet we have to fire X number of people.” I think there would be a lot of that. Knowing that it’s probably not a ‘fair’ structure, I almost feel like I don’t want to know.
Additionally, Adrian had a concern about conflicts that would arise. “If you knew your co-worker made X amount more than you but you have the same position, do the same jobs and you feel like you work harder, I could see that being an issue. It’s just too personal.”

Joe also touched on the highly personal nature of pay.

I would feel a little violated…just because I hold that personally for myself….If it said Joe makes X amount but because of his degree, his X amount of years and experience I think that would reflect why on I’m getting paid that. Where if it just said a number I think co-workers would look at me differently, not knowing the whole truth behind why I make what I do.

Harmon saw lifting the veil on personal pay levels as a distraction, one that would elicit a strong emotional response and dissuade those trying to improve their own performance.

There would be a lot of questions, and HR would have a lot of appointments. People who are irrational might freak out seeing some of those numbers but I think people who are rational would understand why. I try not to think about it too much because…the second you start thinking about some of this stuff you just kind of get full of venom, you just get angry. It goes back to ignorance is bliss. When I’m playing sports – my game is my game…I’m not going to worry about what everybody else is getting paid, all I’m going to do is focus on my game. I know what I do best and I’m going to keep working my best to do that and improve all the things I can…but I’m not going to worry about everything around me, because at the end of the day if I worry about everybody else, I’m not going to improve myself.
Warren agreed with Harmon the “initial fallout would be unpleasant” and “people who were offended would even quit their jobs.” He also looked beyond the short-term commotion to reflect on what might transpire longer term.

In time, people would get used to it. After the initial shock and once the new pay system is in place, then I think everybody would know where they stand. For new employees it would be just the way it is and maybe having that transparency there would lead to more fairness. I don’t know. There are certainly organizations where salaries are public information, like city government. You can go online and find out what anybody there gets paid. That seems fair to me wherein it makes it a lot easier for me to evaluate what you’re getting into.

When it came to publicizing individual salaries, Marie was concerned about the resulting anger employees would feel if they learned co-workers doing little work made higher pay. For this reason Marie didn’t see the value of sharing salaries but offered an example of co-worker Juanita’s question at a CEO roundtable meeting.

Juanita was in this CEO meeting and she has so much flair, she’s a very hard working employee. She said, “I want to know how much everybody makes, I want to see, because I work very hard they sit in their office they don’t do anything. I want to see how much they make, and how much do you make?” That might be important to someone to know if I’m working this hard and this average Joe is up here making so much more than me. I guess my response to that would be just even personally there would be so much anger present in the company knowing that this person takes seven coffee breaks a day and is texting all day in the lab and not focusing on their work. They have their Ph.D. but I’m
making…less than they are. Yeah, there would be lots of anger. I don’t think that’s appropriate.

Although Sheryl didn’t favor publicizing pay levels, she took this as an opportunity to lobby for increasing pay transparency to a less extreme level.

I don’t think the salaries of individual employees should be readily shared. I do think that the pay ranges that come in those levels should be. A, because it gives the employees a better understanding of where they’re at, and, B, it gives them something to aim for.

**Public.** Although definitely a minority among the participants, Kate, Lilly, and Bill saw the potential for sharing individual salary information. They also recommended caution in making the initial transition to this level of pay transparency. Representing this viewpoint, Kate responded she would love to know co-workers salaries. “I want to know the comparisons. That is probably why they are not shared. You are not supposed to talk about it – there is a fear of information getting out.” Lilly responded with a word of caution, “I think that would be ideal but I don’t think you could just take an organization that has not had any of that and say, ‘Well now we’re going to share everyone’s salary’.” A bit more ambivalent with his answer, Bill stated, “I actually wouldn’t be as uncomfortable with that.” He acknowledged that others would not like that pay transparency and would be quite uncomfortable.

**Summary.** In uncovering how participants know what they know about pay, numerous communication types surfaced. In a relationship with a trusted manager or mentor, participants felt they could act on their curiosity and ask questions. The unfortunate outcome was, only those who had this good relationship were able to gain access to the guarded data. They specifically mentioned what was being shared with them was not available to others.
Additional sources of pay information included friends and co-workers talking in general terms about pay practices. On a need to know basis, some participants learned how pay worked when going through job changes. HR was sometimes a source of information along with intranet sites and employee HR help lines. The grapevine was viewed as a source on pay practices, especially under conditions where pay communication was not provided by other means. Discussions about pay were mainly limited to managers, spouses and, infrequently, HR. If conversations on compensation occurred with friends and family, they tended to be more general.

Although participants wanted to have communication on pay ranges and career progression, most did not want their personal salary shared with others. Of those who did say they would like individual salaries to be public, they noted that initial sharing of such data would create an uproar. In thinking through the longer-term implications of publicizing salaries, they expected the turmoil would be short-lived and then become the new normal. For the majority of interviewees against publicly sharing salaries, they often referenced their view was influenced by a parent who would typically be part of the Baby Boomer generation with preferences around pay privacy.

Communication Challenges

Confusion Surrounding Compensation

Given the lack of communication or secrecy around pay practices, I wanted to understand what was confusing to employees. With the goal of better understanding pay perceptions, participants shared their areas of greatest confusion or frustration. Common areas of confusion revolved around the calculation of actual take-home pay, understanding pay structures and
strategies, inconsistent pay practices and an unclear link between pay and performance. Identifying the gaps in understanding can be the first step to formulating better communication.

Anne answered the question of what is confusing about pay by asking, “How much will actually be in my paycheck?” She was puzzled by how her net pay was determined. Marie is a scientist who focuses on facts. She also struggled with trying to determine how to calculate her true bottom-line pay.

As an employee coming to a company, yes, you have your base pay but you also get your benefit package. How much are they really paying out for me and how much do I really pay out in the end? I know this is probably ridiculous but what would be helpful is let’s say you start making $30,000 a year at your job, well we all know this thing called taxes right? You’ll be making $30,000 but you’re not actually going to be making $30,000. You’re going to be making probably…$21,000 or $19,000….your actual workable income is not what you’re hired on at. It would be really helpful to have some kind of calculation system. What I find interesting at my new employer is they have this website and they have your annual income and they have this calculator on how much you make annually…it calculates how much you actually have for take home pay.

Anne found this website calculator to be a good tool in helping plan for what her actual earnings would be. This resource could be used to dispel some of the confusion.

For Sheryl, she struggled with how Human Resources (HR) could place a value on all the jobs without understanding what functions the jobs perform. She described HR as the department determining pay levels with little input from those who know the critical duties of the job.
To me it would just be how they compare or how they grade your job against others in the industry. I think that could be better communicated as to how and why certain classifications are made. Maybe I’m jaded but for the most part our HR staff doesn’t exactly know what it is the majority of the employees do…but I feel they’re the ones who are making judgments. In general, from a pay standpoint, it would be nice to see HR be more visible and out there and really trying to understand what is the value that certain jobs and certain employees bring to the company.

Carrie was disappointed she lost unvested 401k savings twice. The first time she was unaware of the loss until after she left her company. She had no idea how the program worked. When she left her second employer, this time she was a bit wiser and realized she would be out that money but was still willing to make the move; her higher salary helped to offset the loss.

I will say earlier on the 401k all that, all the benefits, all the matching, the 6% of 50 cents on the dollar this that and the other thing. It used to be really confusing when I was younger. Now I’ve figured it out just ‘cause of my experience with it but yeah that used to be…I would have no idea what my company was matching.

Overall, a common response for what was confusing about pay was taxes. Several participants expressed frustration with being offered a salary and then being surprised on how much less showed up on their paycheck.

Joe: Why are my taxes so high? I understand finances. I’m pretty straightforward with the numbers. I really don’t have any confusion other than why are my damn taxes so high?

Johnny: Taxes confuse me. I mean getting taken out like $600 a paycheck going towards taxes. That’s insane. Maybe it’s a little less but still it’s a lot of money. I felt a little
confused with a couple of things like on commission, should my commission be taxed? I
don’t know if my commission should be taxed. I’m not using the health benefits of the
company. I’m doing individual [health benefits on my own] until we figure that out.
He’s paying 75% of [the health care cost] into my paycheck which is a nice thing, a little
extra for me but that’s also getting taxed.

Abby realized the financial impact and additional burden of losing talented employees.
She wondered why her organization didn’t pay more generously to avoid the employee turnover.

It’s always interesting to see where an organization is at compared to what I’ve seen in
the industry. A lot of companies miss the cost associated with [someone leaving]. If you
would pay this much more for this position it would eliminate your cost associated with
trying to refill that position.

Marie related a frustrating experience in trying to understand how her organization
rewarded employees. She was present at a meeting where a colleague asked the CEO directly
how the company recognizes employee contributions.

Small groups will meet with the CEO which is kind of a big deal. We never had that
before. He says he wants to be very transparent with us which is all just kind of talk to
me because it doesn’t really seem that way. But this one woman, who is really
impressive, actually I wish I could word it like she did; it was very eloquent the way she
stated it. She said, “Mr. CEO can you tell us what is our incentive in this company…to
be a better employee, to try harder? What are our incentives here? Why should we work
hard? What is the purpose? What are we working toward? We already know that
money is not gonna be given to us.” The incentives are not there and he basically told us
we don’t want the good employees to leave. We want to reward them. We want them to
feel rewarded. However, like five minutes later, he was asked about raises and said,
“Well this year we bought a lot of companies and we can’t really afford to spend all our
budget giving people raises.” So it was like really mixed messages, confusing. Nobody
knows what’s going on. We’re kind of told he wants to reward us, however, there’s no
money to give rewards. It’s really confusing. I was just frustrated because I had no idea;
there was no clear communication. It was all like floofy.

In addition to conflicting communication from the CEO on how employees are rewarded, Marie
couldn’t understand why performance management wasn’t more clearly linked into her
compensation. She was motivated to work hard for her company, but when she saw no
relationship between her efforts and pay, she became disillusioned.

I never knew what was expected of me. You work an entire year and are always trying
your hardest and then have one meeting for 10 minutes and that’s where you hear
whether you’re doing a good job or not. There’s no mid-year…nobody says, “Okay so
you’re here right now in your salary. In order for you to get to the next level or for you to
be promoted this is what you need to do.” Like leadership skills, they don’t tell you this
is what you need to be a leader. It’s very frustrating…the reason that’s frustrating is
‘cause it directly relates to how much you get paid.

Warren believed compensation should be based on employees’ contributions to the
company. He acknowledged it was challenging to measure this value. Still, he was most
perplexed with the proportional ratio between compensation and contributions for high-level
executives.
I understand that a CEO’s job is very difficult. I don’t think it’s necessarily hundreds of times more difficult than an ordinary employee’s job and so I think in some cases the system is very skewed in that way. That I think is a little frustrating.

Lilly shared the same view. “CEO pay confuses me because I don’t understand how it’s so high in relation to the little people…not necessarily here, I really like our CEO.” She continued with “it seems CEOs continually are paid more and can get raises. I’m like, ‘Is it that hard to find a CEO?’ If I did a bad job…I don’t think I would get a raise. But that confuses me.”

Similar to questioning how CEO value is determined, Harmon wanted to know how value was determined for some members of his own team.

The thing that confuses me when it comes to pay, I guess for any job, is when people come in…and they’re getting paid in the same pay grade as you whether it’s equal or not. They’re hired in the same position as you even if they have no experience, they have no education, nothing in that background, but for some reason they got hired for one reason or another. So it kind of makes me wonder what designates someone hiring somebody for that job that they might not qualify for but still deserve that kind of pay. I think that’s my biggest thing….why did you get hired for this job when you have no qualifications for this job?

Tina, Lilly and Harmon communicated confusion around salary levels, compensation structures and pay practices.

Tina: I do get confused on what they base it on. Like product management getting more than any other team in the company. I understand that they are the heart of the organization but I don’t really understand what they base anybody’s pay on in general. Like solely the responsibility of the job? How much of it is the geographical area? How
much is it knowledge that you’re bringing in and experience? There I really don’t know what they base it on at all. When I interviewed for the organization [the manager] threw down a number after I was interviewing and said, “Here is what your new pay is, as an offer.” I don’t really know how she came up with the number ‘cause it wasn’t anything based off what I was making at my previous job. We just had met. How did she decide…what she was going to offer me? Other than for budgetary reasons I don’t really know how we plan any of that stuff.

Lilly: It confuses me. I don’t understand why we are not given [pay information]. It should be more open - the salary range and mid-point. I should be able to go find that on our intranet. It confuses me why people don’t talk about it more often, yet I also understand it.

Harmon: I don’t see salary ranges. I see the pay grade when the jobs are posted. I don’t know…I don’t know personally that I can go on some network site and say from top to bottom what each position is rated as. You just kind of learn that when you look at the jobs. When I look at the title of a job and I read the description I’m like, “Man that sounds like a job I could do,” but then I read it and it’s “Oh that’s a 19.” Well wow, I’m not applying for that even though everything sounds great in it, I’m not applying for it because I’m a 9 and there is no way they are going to hire me to 19.

Julie laid out the baffling contrast of working above and beyond for small increases versus leaving her organization and coming back to garner a huge increase.

Every employee gets the 2.5% increase every year. That really doesn’t motivate a lot of employees. I’ve heard several co-workers of mine always gripe about it and then they’re like, “Why should I go above and beyond when I know I’m going to get my same raise?”
Being confused about how to earn more pay within her current company, Julie accepted a job offer from a competing organization. Restricting communication on pay practices can be very costly based on this scenario.

I got almost a $20,000 pay raise just jumping over to that company…which was surprising to me based upon the skills and where I’m at. It just takes so long to get up to that point…then actually when I came back to [my original company] I got another good $20,000 jump based on all my experience. So it’s kind of interesting to me how I used to look at jumping from company to company as a bad thing but now…I’ve doubled, if not even more, my income than when I first started there. Based upon just leaving and then…coming back…from where I left to where I started now it’s probably a $40,000 difference over a year and half.

Abby echoed the confusion around the lack of pay communication when she shared her company announced merit increases and they didn’t want anything communicated or even written on paper. It was made clear they didn’t want this information sent out. “I don’t understand why. Why would you not want the communication coming from the top around what you are being compensated for and instead be okay with…being informed through rumors?”

**Consistency and trust.** Tina was unsure about her upcoming pay increase. In the past her organization used MBOs (Management by Objectives) as the measurement mechanism to determine annual pay raises. Co-workers had abandoned the use of MBOs but in the absence of another way to justify an increase, Tina developed her own MBOs to track her current year accomplishments. Tina was told she earned the top salary increase last year based on the highest performance on her MBOs. Given her environment of pay secrecy, there was no way for her to know she actually received the best increase. In anticipating this year’s review and salary
adjustment, she struggled with the lack of both communication and consistency on how her performance would be assessed and how her pay increase would be determined. She thought it was unfair. If her contribution level was higher, she shouldn’t just receive the same flat increase as her other team members.

Now this year…being the only one with the MBO this year I don’t know if he’ll give me a percentage of increase because of my MBO or if he’s just gonna apply a blanket MBO increase across everybody on the team. The theory is that it’s supposed to increase if you achieve your full MBO.

Marie struggled with the inconsistency in compensation rewards when she performed at the same level but was treated differently by different managers. She described the confusing contrast of her two situations.

I felt I was very rewarded. I was given very good raises for as hard as I worked. I didn’t even expect as good of raises as I got. I just felt like I was well taken care of. I got one of the best raises of my life like a month before I left the department but I was just frustrated because of my lack of ability to move up in the company. So I transferred departments to gain a new knowledge, a new set of skills. I moved to this different department and I felt I was not rewarded for working very hard. So that kind of shows you that the managers will give raises in a different manner. Everybody in management is not consistent at giving raises. My quality of work was just the same and the intensity at which I perform was just the same.

As an employee, I can relate to Marie’s frustration and her assumption that managers don’t follow the same pay guidelines. As a compensation practitioner, I can also attest to the fact that a number of variables could have influenced Marie’s pay increases. In addition to a difference in
manager’s interpretation of performance level or pay guidelines, department budget, internal pay equity, market competitiveness, pay history and understanding of job expectations could also be contributing factors.

Day (2011) stated pay communication can help convey management’s intention to pay fairly resulting in positive outcomes including improved performance, retention, manager trust and pay satisfaction. What is not clearly understood is the nature of the pay communication and pay satisfaction relationship. Research has found that simply communicating with employees about pay improves their pay satisfaction (Leonard, 2001). According to Day (2011), “Pay communication predicts pay satisfaction because knowledge about pay enhances workers’ perceptions that pay practices are fair” (p. 478).

Anne referred to her company as having “mysterious systems” that guided pay decisions. “I just kind of feel like why do I deserve that [pay] versus the girl sitting next to me? I know she works her rear-end off. Maybe she gets a raise and I don’t.” Carrie had learned not to trust what her manager said because “there are a lot of bosses communicating to employees that they want to give them a…[promotion].” Managers tell employees they are going to be promoted and then nothing happens. Carrie surmised what the reason might be for this behavior.

It could be because the managers don’t know. They’re trying to figure it out as well but that has been my experience. My friends and I joke about it. We say, “Well then, we’ll believe it when we see it.”

Why is Pay Communication Taboo?

According to Nosenzo (2013) pay secrecy norms are common in many companies. Pay secrecy is credited with minimizing the negative impact of employees comparing salaries with colleagues (Colella et al., 2007) and a key factor in employee judgments surrounding fair pay
(Akerlof & Yellen, 1990). When asked about discussing pay in organizations, seven participants used the word “taboo” in reference to communication of pay information. Legally, employers are unable to bar conversations regarding pay. Retaliation toward employees for discussing their compensation is unlawful (Bierman & Gely, 2004). Mulvey et al. (2002) proposed a strong cultural norm exists which discourages talk on pay “in both the neighborhood and the office” resulting in pay concerns being left unresolved (p. 1). To shed light on the lack of conversation on pay, this section provides an overview of why participants thought discussing pay was taboo.

**Upbringing.** Participants acknowledged a reluctance to discuss pay. Ironically, even participants describing themselves as outspoken and willing to ask for promotions, were hesitant to initiate conversations on pay. This was evidenced by Carrie’s comment.

> I’ve never felt comfortable about pay. I’ve been comfortable enough to ask for promotions in that I felt like the work I was doing was indicative of a higher level job. But rarely is it around [the topic that]…I should receive more money.

When asked why she wasn’t comfortable talking about pay, Carrie responded,

> I don’t know. I grew up in a very conservative Lutheran household and my dad’s dad was a pastor and his mom would always tell him, “What would people say if you had, if we had, anything nice?” And so I always feel like I grew up with that; you take what you’re given. You don’t ask for things ‘cause that’s rude and I think that has translated into my professional career as well.

Carrie pointed out the difference to her was that a promotion was easier to justify, given there were tangible outcomes she could produce to support her request. She felt she could substantiate her contributions to the organization. She didn’t understand the compensation system and didn’t know how to make a case for higher pay.
I could prove to my manager that I completed this project and it was a success… I don’t know how to prove that I’m worth more money because it feels like they have this system in place. They’ve got it all figured out. They’re the experts in how they pay their employees so… who am I to go say I think it should be more? School systems or school districts have their pay [public] and you know exactly what you’re gonna make. Obviously it’s a government. It’s a public agency but… I always thought that would be so helpful to know what the range is. If I know I’m at the bottom of the range and I’m a top performer and I get nothing but positive performance, that would help me go in and ask for more money. I don’t think all companies are gonna give it to you just because you’re performing.

As Carrie continued to ponder the possible reasons for avoiding pay discussions, she offered this reflection regarding equal pay.

It’s such a secret. It’s such a taboo subject to talk about. I just think of the equal pay [issues] going on in politics right now and with equal pay for the same job I wonder where that data comes from. I don’t know. It’s an interesting idea to me. I support it but I don’t know that it’s realistic to even determine if nobody talks about how much people make. I don’t know. Or at least to the people it matters to, they’re never gonna know [pay levels] ‘cause they won’t have access to that information.

Tina also realized her parents influenced why she thought compensation should be regarded as confidential.

That’s not something I’ve ever talked about and I guess it was that my parents were farmers, which was considered their own private business. They never discussed, I mean I never knew what my parents ever made… their milk checks and all the things, the money
they made or selling their crops and things like that…that’s not something that they shared openly with anybody in our family, let alone anybody else. They didn’t share with friends so I think…I got it from them, and it’s just kind of, that’s not something you talk about. Pretty private information.

Adrian also didn’t believe in discussing pay. When I inquired about his rationale for keeping tight-lipped about pay his answer also involved his parents and his upbringing.

Parents…I think that’s maybe where I get it from. My mom’s just like, that’s what you don’t discuss with other people. She always says if anyone asks me what your parents make don’t say anything…I don’t know why she did that but she did. So I guess that carried on with me.

In checking to see if Adrian noticed similar behavior with his co-workers, he stated, “I would say 90% of them do. It doesn’t seem like we discuss it or ask about it.” Adrian recapped an experience he had with a former friend at his workplace who asked him to reveal his salary. He said he refused by saying, “we’re not supposed to discuss the matter.” Adrian explained this employee was one of the 10% that would be less secretive about personal compensation.

**Personal privacy and value judgment.** Bill noted his background impacted his views on pay communication. He identified the need for personal privacy as the reason why he did not discuss pay. He equated it to a measurement of value and judgment of personal worth.

I think that’s more from my background. It sounds kind of silly but it’s personal to share something like that. I mean it kind of feels like your value, like your worth as a person, like I’m only worth this much, which isn’t true. There is a lot to me and to other people that defines who we are, not just how much money you make. But it’s a tangible number you can associate to your value.
Personal privacy is also why Harmon did not want to have salaries made public. He attributed pay as a measurement of worth.

I think it’s just taboo to talk about in general. I guess maybe that’s just me. I don’t like people knowing my personal stuff more than I’m willing to talk about. I know there are some people that are more open to talk about that. I think in general people just don’t want people to know what they’re worth because there is that range. I found out that a person was earning significantly less than me for doing the same job. Then you do realize that, “Wow, I am on that top end of that pay scale compared to somebody else,” but…ignorance is bliss to a certain extent.

As Harmon continued he related why “ignorance is bliss.” If you find others earning more when they do not seem to be contributing at the same level, or someone remains in a job but does not “aspire to be in a different role, it gets you frustrated…that’s just going to lead to toxicity within your own position and then you become bitter and then you don’t want to work as hard.” He also pointed out that pay information might be circulated within the company with a disruptive result. “If that does leak out, it’s just a gossip game of people talking about different stuff that leads to a lot of awkwardness.”

**Company loyalty.** Joe had been with his company almost three months and had been waiting six years for an opportunity to work there. When he interviewed for his position, he was informed the company pays above market levels to keep turnover at a lower level. Joe attributed loyalty to the organization and expectations implied in his employment agreement as to why he kept his pay confidential. He also made it known he did not want to know what others made but rather focused on his pay relative to what he contributes.
It comes with, first of all signing a non-compete. I think all of us individually bring a lot more to the table…so that might be reflected on pay. So at this point I actually don’t know what my other colleagues in the same department make, I don’t. And I don’t want to know just because when I said before I came with an expectation…and at this point I’m happy as a clam (laughs).

**Fear.** Joe also pointed out that fear may be a factor why pay information is kept secret. He equated sharing salaries with tattling.

I mean financially [my pay] works great and that’s what I want to know at this point. I think it doesn’t really bother me that much what everyone else does, just because it’s more about for me. I don’t know if it comes from fear as far as if we found out what other people are making and kind of, not really tattling….If that has an influence on if there’s a resignation with knowing [pay levels]…especially with me working at a huge organization I kept everything hush, hush.

**Respect/culture.** Sheryl referenced pay was not discussed due to her company’s culture and out of respect for colleagues. When asked why communication around pay was taboo, Sheryl responded with her insights.

I don’t know….It’s the culture here I guess. No one really talks about it and I don’t, this is the only place I’ve ever been so I don’t know if that’s common or not common. I think that leadership and HR are worried that if employees talk about it they’ll leverage the company to try to get more information as to why certain decisions are made. And that’s what I feel is the biggest downfall…HR or their lack of communication…it’s the why. The why is never really communicated around the decision that’s been made, as to your
grade level, or your job classification or even your job description isn’t always readily shared with you.

Sheryl commented that another reason “talking about pay is taboo around here…a lot of the people that I work with are older.” She believes her pay is significantly more than pay was for her Baby Boomer co-workers when they were at her level. Sheryl does not want to upset her colleagues who may make a comparison to what they previously or currently earn. She described how that influences her behavior.

When they started out pay was obviously a lot less than it is today…so I’m very hesitant to talk about it because…I want to be very respectful and I think that’s what a lot of the young people in my realm in this company feel…you want to be compensated for the value you provide, you also don’t want to offend your co-workers…I guess in the next 10 years it could be completely different.

Other participants struggled to identify why they did not discuss pay. Lilly suggested it could be “Midwestern culture. I’ve never really discussed pay very openly.” She indicated “it’s just taboo.”

I feel like we still came of age when you really don’t talk about pay but you then have to jump around to different companies and we’re not the generation where it’s like I’m going to find a company and you’re going to stay there for 30 years and they will serve you well. It’s more like well I have to do the best I can for myself. At least that’s my attitude.

Judgment. Many of the participants realized they had not previously considered the question of why pay was not discussed. Warren admitted this was a question he had not thought
about. He reflected on the way compensation can be used to make judgments about peoples’ worth.

My first reaction is that people are very sensitive about money and think often times people are judged in our society based on how much they make. The consequence is people are reluctant sometimes to reveal that information. Maybe this isn’t true, but maybe it just ends up in the media. It seems like people who make tons and tons of money are not reluctant to reveal how much they’re rolling in. But the rest of us mere mortals…

Warren later added he “would rather not be judged and would rather not offend others by revealing” salary levels. Regarding Warren’s comment on pay information in the media, Parade weekly magazine publishes an annual issue devoted to sharing pay levels for a wide variety of professions. Individuals in jobs including special education teachers, truck drivers, operations managers, and clinical pharmacists share their salaries. Estimated earnings for celebrities including actress Sandra Bullock and singer-songwriter Bruno Mars are provided in this publication. Maggie Murphy, Editor in Chief of Parade introduced this article by stating, “There is no issue of Parade that’s more talked about than our annual What People Earn survey” (as cited in Gwinn & Prabhakar, 2014). Additional salaries for previous issues of this What People Earn series can be found online (Gwinn, 2014).

Advocate for transparency. Julie disagreed with Warren, stating pay should be addressed with greater transparency. She expressed that her co-workers are reluctant to talk about pay.

I think they’re just worried…talking about how much they get paid. I’ve had co-workers where we do ‘cause we’re kind of more on a friend level. So we totally do and when we
were in the same role…we talked about it…I think it’s just always been that way.

Personally, I don’t really understand it. I mean I would love to know where I stand in the market. How much do you get paid? How much do I get paid? I don’t know. I just think it’s a privacy issue. It’s what I feel. I sometimes think that it would probably benefit us as employees…to know what each other makes because that would help us understand…Heidi is here and she has this project and she’s getting $10,000 more a year than me. I want to better myself. I want to get to that point so I want to understand what she has that I don’t. I don’t think management would want us talking about that. There’s been enough new positions where they’re like, “now this is between us, I’m giving you this bonus.” I don’t need to know what you make but I want to know at least the range of what the people in the area make and I just feel like there’s nobody to talk to or nobody to ask like it’s just really taboo.

Abby shared her disappointment with her company’s lack of compensation communication. Abby had worked for another company in a sales role earning commission. There she openly discussed pay with her peers. Now she is in an environment where pay changes are a complete mystery. “My understanding is that if you are salaried, you don’t necessarily know what your increase is until you get your paycheck and it’s just there.” Because this was so unusual for her, Abby even tried to uncover information on pay practices to no avail.

The overall attitude is definitely, “let’s see what our raise is once we get our check in July.” That’s just when the raises happen and the same thing happened with the bonuses that pay out in December. Nobody knows. You didn’t know what you were getting until you got your check. I mean I was even kind of pushing a bit to find out information on the bonus that paid out this last December…and people really didn’t want to talk about it.
I work in the corporate location and you have a lot of people that have been here for 25+ years…and I think it’s something they keep pretty quiet.

Eventually she gave up because she was met with such resistance. Being a relatively new employee she did not believe she could change the culture. Since her job is marketing and communications, Abby planned to bring it up with leadership when the timing was right and offer to help open up communication on compensation.

Lilly previously worked in a government office and was used to the transparency of pay practices and public salaries in that environment.

Well, I liked the openness of pay information for the city. I like that it seems a little bit more transparent. What’s that company? Is it Whole Foods where everyone knows everyone’s pay? I’m like that, that would be cool. It would be weird, but rolling that out would be really interesting because I think people always have ideas in their head…I don’t know because we don’t talk about it. I wish we would but I think it would be awkward. So at the city we would talk about pay and it wasn’t loaded with any jealousy because we knew what each other’s pay was and we knew what it was going to be.

Whole Foods Market, an organic supermarket chain headquartered in Austin, TX, promotes open communication on pay. Leadership at Whole Foods believes employees should have access to all pay information and be as informed as possible, including individual salaries of all employees. This policy is designed to both encourage conversations with co-workers and promote competition within the company (Griswold, 2014). With fiscal 2014 revenues of $14.2 billion and a net income of $579 million (Whole Foods Market Form 10K, 2014, p. 19) Whole Foods’ pay transparency strategy appears to demonstrate financial viability and business success.
Summary. When asked what is confusing about compensation, participants were unsure how their pay was derived. How was the value they bring to the company measured and rewarded? Even those told they were paid at market value did not know what that meant. Several participants mentioned taxes as a source of quandary. They were told their gross salary, but when their paychecks showed a much lower amount they were disappointed. In addition, it was not clear how they could earn more. Other elements of the compensation package including benefit options of health care plans, 401k and Paid Time Off (PTO) banks were also puzzling. Bonus plans were sometimes ignored due to confusion as to how they generated a payout. The participants also found the high levels of executive pay perplexing.

Consistency is an important factor in perceptions of fair pay. In circumstances where managers have made promises for promotions that did not transpire or when pay rewards differed significantly in spite of similar performance, trust in the compensation process was jeopardized.

There is not just one universal answer for why employees limit pay communication. Based on the responses from participants in this study, common reasons to refrain from discussing pay were: (1) parental influence and upbringing; (2) personal privacy values/sensitivity; (3) respect for colleagues; (4) loyalty to employers; and (5) fear/uncertainty of consequences. Several participants advocated for increased transparency and open communication on pay. Most participants did agree revealing individual salaries would create conflict, strip employees of personal privacy and have at least initially a negative impact on motivation. An “ignorance is bliss” position was most popular; although, a small minority favored pushing toward a greater level of transparency.
Communication Opportunities

What Employees Want to Know

The goal of this study was to increase understanding of pay communication by listening to the voices of Millennials working in organizations today. Now the largest generation in the workplace, Millennials have a growing influence on organizational culture and communication practices. Employers looking to attract and retain top-notch talent may benefit from understanding and accommodating the workplace pay communication needs of this group. To learn how to improve pay communication I asked the participants what advice they had for their companies. Participants were unanimous in asking for increased communication related to how compensation works, pay information for future career planning, and greater transparency on pay-related processes.

Access to pay information. As Millennials, these participants have grown up having quick access to information. This expectation extends to compensation information. Anne noted,

I think it’s nice to have a little at least a little more openness. I understand not being 100% transparent with it…I don’t think any system is probably fair to everybody. I don’t think it’s necessary to have, “This is what Beverly makes. This is what Martin makes.” I think it is nice to see the range of salaries of project managers at our company. “Here is where you fall in that range.” I feel like that would go a long way. Honestly, I can even see a company doing something like saying, “The range goes lower than it probably really does and look you’re all the way up here by the top. Really that’s kind of where everybody is.” I mean I can see that happening and I don’t even care. That would be
fine. I think it’s just nice to know where I stand and I don’t know any of that right now. I just collect my paycheck and keep my mouth shut.

Kate requested the same compensation data. “I’d like to have more info published on average pay, etc. A better understanding of how my pay compares to similar positions. Provide employees with an understanding of how levels and salary ranges are determined.” Marie suggested providing “some kind of worksheet that says what to expect. Base pay range, positions and pay range based on experience. That shouldn’t be hidden I mean there’s no reason.”

Lilly and Sheryl also encouraged sharing grade levels and salary ranges.

Lilly: Just make it more clear. If I want to look up the range for either a position posted on the job board or someone else’s position… I don’t need to know their salary but I would like to know their range so if I said maybe I want to work toward becoming a product planner what does that mean? Would it even be worth it?

Sheryl: What I would recommend is just being more transparent through the entire process because right now there’s nothing known and so anything is going to be better than where we are at today. That could involve… posting the grade levels and talking about the salary ranges included in each grade level. I think the bigger thing other than that is talking about what jobs are available and what movements are available for employees to get them where they want to go.

Warren highlighted the value of communicating information on the full compensation package for employees.

Again I’d like to think that people are going to be compensated based on merit and their value to the company. I would try to be transparent…about the total compensated
package, too. I guess that reminds me that one of the things that I appreciated with the smaller company was that they also communicated the cost of benefits and how increases in health care and insurance costs were impacting them. I think that helped employees to appreciate the total compensation package beyond salary.

Tina added her interest in the promotion amount awarded. “How do they determine what percentage they’re giving?...I’m a senior today. To get a promotion to director they are very clear that…it doesn’t matter what you do, you’ll never get more than a 10% increase.”

**Advancement.** Participants in the early stages of their careers had heavily invested in their educations and wanted options to advance and earn promotions and higher salaries. Anne was frustrated by the lack of communication around promotion opportunities.

I’d like to be able to know what I can do to get paid more or get promoted. What I’m looking for is some black and white steps do this and this and this and then this will happen. So I guess ultimately it’s kind of de-motivating just because I don’t know what I need to do.

Another common theme suggested by participants was pay communication to help them plan their career. Carrie described herself as a planner, and she wanted to be looking ahead to other opportunities she could work toward. Knowing her pay potential would help her make other decisions.

It would be helpful to know…the salary number one for that role. It’d be helpful to know the trajectory so that if you’re successful in this role and you go to the next level here’s what’s at the next level. If they told me as the senior marketing specialist here’s the range you would be in. So here’s your potential and then if you wanted to be a marketing program manager, there’s your potential. Kind of dangle the carrot so to speak…what’s
the next range? What’s next for me? Maybe I’d want to take a career change and make less money….What could I be promoted to and what my pay raise could be? I think [this compensation information] would be a good motivator for me personally. 

Julie wanted to understand how pay increases, promotions and recognition work. She’d like to know the salary ranges and learn how her bonus works.

I still just sometimes wish that it was more upfront about where the next level is. I’d like to know, okay so let’s say I want to get to your role or I want to manage people.

Responsibility is important to me. Recognition is important but bottom line is I gotta pay my bills and I’m not going to school…to work for free….If I want to be a manager, I want to know what my pay scale is gonna be and where I’m gonna go. I just feel like there’s just such a secret about it. Nobody wants to talk about it until you actually get your job offer. I want to know ahead of time if that’s my career path and I want to work toward being a director of operations in this area. I don’t want to work so hard to get to that point thinking that I’m going to make X number of dollars and my husband can retire.

A manager participating in the focus group made an observation about how Millennials are “used to having information at their fingertips.” They grew up with the Internet and social media, with an expectation they can look up whatever information is needed on the closest smartphone, tablet, or laptop. To be restricted from having the compensation information they desire is unique to them. Baby Boomers and Generation X employees see the lack of pay communication as a typical business practice.
Advice for Employers

Many Millennials have entrepreneurial goals rather than an interest in working long term for an established company. Almost 80% of the Millennials surveyed stated they would consider quitting their current jobs and would instead work for themselves in the future (Brownstone, 2014, para. 5). Despite Millennials recently becoming the largest generation in the workplace, a majority of hiring managers agreed that it was difficult to find and retain Millennial labor. Participants in this study represented the Millennial generation, making the following advice on how to create greater pay transparency especially valuable to employers struggling to attract or retain this demographic.

Pay for performance. Szypko & Rasch (2012) reported only 29% of employees saw a clear connection between pay and performance (p. 27). Only 18% of employees with a clear link between their pay and their performance were seriously considering leaving their jobs. That number doubled to 36% of employees seriously looking to leave their employer when they did not have a line of sight between pay and performance. Even more concerning was that 47% of high-potential employees did not see a relationship between pay and performance, with 30% of these valuable employees indicating a serious intent to leave (p. 29).

Adrian was fairly pleased with his company’s pay practices related to paying at market value. For the annual performance increase he had some suggestions.

I think they do a pretty good job. I think I like the market value thing they show us…My manager told me…he’s only allowed to give a certain number of high marks, he can only rate a certain number of people this and then only those people can get a certain percentage of raise….Knowing that depending on the year,…you might not get a raise since they’re not giving them out that year….What determines whether or not we have
pay raises that year? Is it based on quarterly earnings or do we have performance objectives we didn’t meet?

Abby questioned the link between pay and performance. Since performance reviews were relatively new, it was not clear how they influenced pay.

My hope is that as they again tie it to performance that there’s a formal communication process with each individual at all levels as to what their increase is. Or if they didn’t get it what are areas of improvement.

Anne experienced the same problem not knowing how her performance influenced her annual merit increase.

I’d just like to know what to expect and what I do have control over. Honestly, it makes me kind of wish we did have a merit-based bonus. I also feel like that would change the kind of worker that I am…just some sort of incentive for me to put more effort in. I don’t feel like I put in everything I can, [everything] I’m capable of doing. Because again I don’t know that it’s gonna pay off for me and I know I’m losing out on family time and my time.

Carrie experienced an inconsistency in her pay for performance assessment. This is an example of pay secrecy impacting Carrie’s options to navigate her career path differently.

I got my review and it was positive. It was what do you rank on a 4 to 5 [point scale]? My boss said, “I’ve never given someone in a job 12 months or less this high of a rating before.” And then the next year I get the same rating and I’m told I don’t get a raise. It was because I was at the top of the range. We can’t pay you any more money for this job.
A common compensation practice is to have salary ranges for each job, and when the incumbent in that position reaches the top of their range, pay increases cease. The compensation approach is to have the salary range maximum as the top value that position is worth to the company. If employees want to earn more money they need to explore promotion opportunities with a higher salary range. Some organizations still allow for increases beyond the top of the range or frequently companies provide the employee with a lump sum cash award not added to their base salary like a typical annual merit increase would be.

**Open dialogue/transparency.** Growing up in an era where communication in society is 24/7, Kate expected more pay communication from her employer. Her advice to companies was to have an open dialogue, and she listed the questions she’d like answered.

Communication is key – it is important to have a sense of value. There is a taboo around talking about pay. I can understand leaders don’t want to deal with questions to defend what people are paid. It would help attitudes and outlooks to have more information on how pay works. Invite more discussion – why am I at the level I am at? Why aren’t you getting what you should be paid? What is the balance with performance versus budget?

We have lost a number of good people because they were not valued. Carrie reflected on the possibility of employees initiating pay conversations and learning about the pay process. She asked companies to “be open with employees on how to ask for more money.” Carrie believed, “If they’re open for it and there’s an open dialogue about the right way to do it, then there can be open dialogue about the [compensation] process.”

Abby was another proponent for enhanced communication within her company. As the person responsible for communications, she is in a position to initiate change.
I’m just such a strong believer in that communication piece and keeping your employees informed and that message coming from the top. I can help influence that, I’ve been trying to but I definitely get push back. There are still some…no touch zones that I have to take a step back from. They will either have to pay more or you will see a lot of movement…it will definitely be tricky especially as…they won’t all stay in their jobs for 25 or 30 years anymore and that’s what they’re used to here. So I think reality will hit soon.

Warren encouraged increased transparency with compensation strategies and philosophies. He cited his experiences at two companies where pay increases were either uniform across the company or a secret calculation that caused him to question how pay works.

I think they’re better off being transparent about the communication, compensation philosophy and their strategies. I didn’t necessarily agree with the company where they said, “Oh well, everybody’s gonna get a flat increase this year based on how well the company is doing,” but I knew what it was. The larger company I don’t really have a good sense for the algorithm used to determine who gets compensated what [amount]. I know that people get ranked into these different bins but I don’t really understand how the compensation numbers are arrived at based on the company’s bottom line. Guess I understand it would be harder perhaps at a larger company but it just seems like being more transparent, employees would value that.

An environment of openness and honesty is also what Bill values.

I would say be open and honest about expectations. That “obscurity through security” thing, I do kind of like that. It’s available to anybody who’s seeking it…if employees want to ask about it. I would definitely say…I’d just have open and honest
communication about how much they feel they should earn and what’s fair. Just like what my experience has been. Just to tell them the whole process so they don’t feel like they’re just getting the short straw. It’s always better to treat people like people, not a number.

Tina had previously worked for a company with a straightforward compensation structure openly communicated to employees. She struggled in her current environment where no compensation practices were communicated.

I really appreciated their pay strategy and methodology…very clear pay scales. They gave it an alphabetical number and they would say anybody coming in would be paid at X. It was like an A3 or whatever and once you worked yourself out of that you moved on to A2 and you slowly moved up and once you get to A1, you moved into B1, B3. You slowly moved yourself up the scale. You knew that if you worked harder you were gonna move into the next scale…I respected that and I appreciated it and…everybody was on the same playing field. I don’t really like the philosophy that we use [now] because you never know what anybody is getting paid. You don’t know if you’re working really hard and then you get let’s use a fictitious number, a 3% increase. You don’t really know if that is the average or if your boss is just saying that, or if that’s what the company can afford that year. You don’t really know what it’s based on. So, it’s kind of like a black hole…I actually like the transparency and as much as I don’t want to tell you exactly what I make, at least it’s nice to know that I can climb the ladder. I know that I can see other people who have worked really hard are climbing the ladder also. I feel confident that they’ve done it and I can too, I, too, can do it. Today it somewhat
feels like it’s shooting from the hip and you really don’t know what people are getting paid, and how that pay scale is created.

Income disparity has been increasing in the United States and the expectation is more employees are likely to notice differences in pay. This may push organizations to rethink their pay policies. Disclosing more information regarding pay levels and compensation processes can become increasingly common. This could challenge the ethics of large inappropriate pay disparities calling for more regulation, greater transparency, and increased shareholder involvement (Till & Karren, 2011, p. 52).

**Value total rewards.** Joe spoke of the importance of having a voice within his organization. He was willing to accept less pay to work in an organization where he aligned with the mission and was valued for his contributions.

Working at [my previous company] I felt like a number. I felt like I was just a number Joe X amount, a number, here you are, congratulations. My thoughts, my contribution didn’t really matter. I just felt like I said I was walking like a ghost [within] the building. When you’re dealing with thousands and thousands of employees when you try to voice your concern or opinion it fell on deaf ears. So when I moved to a smaller company…it felt like home. It really it truly does. I think everything matched up perfectly. Even if they were to offer me less it didn’t matter. Just because I believe in what they do.

Harmon thought the value of his paid time off more than offset a lower paycheck. He understood the tradeoff between pay and other benefits.

I get an absurd amount of paid time off compared to my counterparts and it’s funny it’s one of those where I can’t take off enough time, and I’ve only been here for seven years. I can’t take off enough time to use it all up at times. So I’m willing to take less money
‘cause basically they’re giving me free money for taking a day off and other companies don’t let me have that time off. I have been at other companies where they say…you have unlimited sick days. But I took two days off for being sick with the flu within a two-week period and I got a sit down with my boss saying, “Unlimited sick days doesn’t really mean unlimited sick days.” You need to fight through a lot of those sick days and come into work.

Employee Orientation. Julie recommended initiating pay communication when an employee first starts a job with the company. Normally new hires attend an employee orientation session educating them on the organization’s philosophies and policies. Sharing compensation information would be a natural fit.

[Covering compensation practices] during employee orientation would be really beneficial for both the company and the employee. I think a piece of it should [address] what you should know…at least to let people know where the resources are if they want to better understand their pay grade.

Summary. To enhance pay communication within their organizations, participants asked for greater transparency around comparative pay. Most participants did not see the need to openly share specific salaries but did want to know grade levels, salary ranges and how they could earn more pay. When considering compensation, although base salary is the most prevalent focus, participants considered the entire rewards package including non-monetary factors of flexibility, meaningful work and having a good manager and/or co-workers. Several participants disclosed they would be willing to work for less pay in exchange for these non-monetary rewards.
Summary of Findings

Experiences of the participants demonstrated limited understanding of how compensation works in their organizations. They found it difficult to define fair pay and some were not certain there was a way to determine if they were paid fairly. Communication was sometimes provided by their preferred source, their manager. Without communication, employees looked to co-workers and the grapevine to find answers on pay practices. Participants did not widely discuss specific elements of pay with others but did rely on personal networks to help validate appropriate pay. While most participants valued transparency, they drew the line at revealing their personal salaries. Participants wanted more communication to understand how pay worked, including an explanation of the compensation structure and salary ranges. In addition, they wanted to know how they could earn more pay.
CHAPTER 5: ANALYSIS – INTERPRETING EMPLOYEES’ VOICES

Research Interpretations

To build on the findings presented in Chapter 4, I analyzed the data applying the theoretical frameworks of Adams’ (1965) equity theory, Festinger’s (1954) cognitive dissonance, Vroom’s (1964) expectancy theory, Blumer’s (1969) symbolic interactionism, Durkheim’s (1964) social solidarity and anomie and Bok’s (1983) secrecy theory. In this section I incorporate the interview data with these theories to demonstrate their application to pay communication.

Equity Theory

Equity theory is applicable to this study in that participants were concerned with the fairness of wage comparisons. Adams (1965) stated employees seek to maintain equity between the inputs they bring to a job and the outcomes they receive from it against the perceived inputs and outcomes of others. Individuals value fair treatment that causes them to be motivated to maintain fairness within the relationships of their co-workers and the organization. The ratio of inputs (employee contributions) to outcomes (pay and rewards) determines the structure of equity in the workplace. Adams (1963) found the presence of inequity creates tension in a person. This tension “is proportional to the magnitude of inequity present” (p. 427). An individual may “leave the field” when inequity is experienced (p. 428). This could mean quitting a job, requesting a reassignment or exhibiting additional absenteeism.

Adrian confirmed he thinks about pay equity and comparable salaries. His girlfriend works for the same company and he joked, “I think we both fish for who gets paid more.” Joe expressed a similar attitude when reflecting on a situation of unfair pay. “Comparing what you do to what I do and figuring out how you’re making more than me but I’m doing three times the
work….I think that’s where it got frustrating.” Carrie said if salaries were public her competitive spirit would prompt her to look up salaries of peers for comparison.

Chou (2010) determined, “The beauty and curse of compensation is that it has both an absolute and a relative component. What people receive in compensation at some level is only meaningful when compared to what others receive. This concept is the basis of equity theory…[that] assumes people have information on the outputs and inputs that others possess” (para. 4). In an environment of secrecy, information is not available to determine equity. According to Chou, determining equity is complicated by the fact that employees tend to “fill in” any accurate information gaps they might have with their own guesses as to what others are earning based on rumor or conjecture. Their perceptions can span the spectrum from relative accuracy to complete inaccuracy.

Warren had an interesting theory on inequity between different professions and on what really drives pay levels. He saw a preference in pay for those most closely connected to the financial side of a company.

I generally believe that the closer you are to the money, the more you’re going to be compensated. So my brother was a little put out because I went into engineering, he went into business, finance specifically. When we graduated college my salary was considerably more than his. I said it is just a matter of time before your salary blows far beyond anything I could possibly hope to earn. There’s a ceiling on mine that isn’t there on yours and you’re a lot closer to the money. I said the same thing to my sister…who is looking to go into social work. In social work you’re further from the money than engineering. You’re not going to earn as much doing that, which is just something you
have to decide when you’re weighing that career against other careers. It’s certainly not a value judgment from me to say one is better than the other.

Warren continued by saying society has determined a value system when it comes to pay. Under society’s system social workers have lower pay opportunities “in spite of the vital work they do. Yet we’re willing to allocate all sorts of resources to professional sports.”

The performance or value an employee delivers on the job is expected to drive pay compensation. Equity theory contends that an allocator will deliver rewards to participants in proportion to the usefulness of their actions (Leventhal, 1976, p. 93). This assumes distributive justice or a fair allocation of rewards will prevail. Distributive justice is achieved within an exchange relationship when the profits of each party are proportional to their investments (Homans, 1961).

Some participants believed “ignorance was bliss” and did not want to know pay levels saying it wouldn’t serve any purpose. Harmon preferred to take the “ignorance is bliss” approach to pay equity. He did not share his pay with others, and he did not want to know what others were paid. Harmon knew he would be bothered by an inequity in pay so he opted to steer away from discussing pay.

Other participants expressed strong emotion speculating that if someone they did not see working as hard was earning more money it would disturb them. Tina remarked under the previous ownership, her company paid more generously. She was hired after new leadership took over which operated under tighter budgets and openly offered below market compensation. Tina shared her concern about the perceived pay inequity that existed.

I am a little jealous of those that came on just shortly before I did because they came in at the right time. It is a hard thing to swallow. When you know the amount of effort that
everybody puts into their jobs and careers, and to know that they could be making $20,000 or $30,000 more than I do…it is difficult.

In developing compensation systems and determining transparency levels, pay equity is a critical component for consideration. Pay inequity can also result in poor morale, higher turnover and even legal ramifications. Organizations must realize the importance of pay equity perceptions on their ability to garner buy-in and trust with their compensation strategies.

**Cognitive Dissonance**

Cognitive dissonance is the discomfort experienced when simultaneously holding two or more conflicting conditions: ideas, beliefs, values or emotional reactions. Cognitive dissonance theory explains human behavior by suggesting that people have a bias to seek consonance between their expectations and reality (Festinger, 1954). When pay inequity is identified, cognitive dissonance is heightened. This dissonance can impede the effectiveness of a pay system when this conflict exists. Employees will seek strategies to reduce this dissonance that could include losing top talent. Julie left a job she loved because of her dissonance about a lack of pay for performance strategy.

Cognitive dissonance was apparent when Carrie had a dream about everyone’s salaries being presented on a PowerPoint and someone making an incredibly high salary. She could not rationalize how her co-worker could earn so much money and it left her agitated. Lilly experienced dissonance regarding the way her company measured work performance. She believed “fair pay should be based on output.” The measurement of fair work for fair pay was not based on actual quality and productivity.

It was very much, “Are you in your chair for 8, 9 hours a day? I want to see you.” The director would walk around, almost like the principal, checking to make sure people were
still there. Now people could have done crappy work. It didn’t matter. So I think that if you get more work done, how that would be measured would vary.

Both perceptions and misperceptions can result in cognitive dissonance. Warren thought the allocation of pay “isn’t necessarily based on the quality of the work that you’ve done or the merit so much as how well your manager can argue your placement within the organization.” Warren also said at his company, “They insist on this strict ranking and basically force a distribution at the division level. I think that is artificial and I think it can be frustrating for the employees because the process is really largely opaque and what we know about it seems dysfunctional.”

Cognitive dissonance theory states that people have a motivational drive to reduce dissonance. Festinger (1957) offered three dissonance reduction options. The first option is to change one or more of the elements involved in the dissonance. A second option is adding new cognitive elements that are consonant with the existing cognition. Finally, option three suggests decreasing the importance of the dissonance (p. 264).

To illustrate dissonance reduction, I will use the example of asking participants if personal salaries should be public or private. Some participants reacted by suggesting that salary ranges, rather than actually salaries, should be shared (option one – change an element in the dissonance). Other participants responded that out of respect for personal privacy, sharing of salaries should be avoided (option two – align with existing cognition). Several participants selected the “ignorance is bliss” position (option three – decrease the importance). All of these responses resulted in reduced dissonance to the idea of making salaries public. Also note two participants supported making salaries public so it appears they did not experience dissonance from this idea. Keep in mind the triggers that create dissonance vary by individual. When
creating compensation practices or communicating pay, be aware of dissonance as a potential obstacle and anticipate possible reactions. Typically pay plans perceived as fair and transparent tend to generate lower levels of dissonance.

**Expectancy Theory**

Expectancy theory addresses the issue of paying for performance. Vroom (1964) demonstrated expectancy theory influences an individual’s motivation to perform. He defined motivation as a process of choosing among alternative forms of voluntary activities, a process controlled by the individual. The individual makes choices based on estimates of how well the expected results of a given behavior are going to match up with or eventually lead to the desired results. Motivation is a product of the individual’s expectancy that a certain effort will lead to the intended performance, the instrumentality of this performance to achieving a certain result, and the desirability of this result for the individual, known as valence. Expectancy theory stresses organizations need to relate rewards directly to performance and to ensure the rewards align with what is deserved and valued by the recipients (Peters & Atkin, 1980; Montana & Charnov, 2008).

When properly designed pay programs are understood and accepted by employees, an environment is created for expectancy theory to thrive. The compensation system would include rationale for pay differentials so employees would understand why others earn more or less. It would also identify what is required to earn more pay so employees could expect higher pay if they were willing to contribute at a higher performance level. Under expectancy theory, exposing employee salaries would clarify the relevant expectancies to enhance the predictability of stated actions producing specific rewards.
Bares (2012) maintains everything we do in compensation is communication. She stated compensation system design is a communication vehicle which sends a strong message about what is and isn’t important in an organization. It is critical to know the message the pay plan is sending. If the goal is to motivate employees, the rewards must align with the desired behavior. According to expectancy theory, if the goal is to attract and retain high-performing employees it needs to be built into the design of the compensation system.

Communication risks include sending conflicting messages to employees about the compensation system. If teamwork and collaboration are key company goals but a compensation program rewards individual success, confusion results for employees. Employee feedback can identify misalignments or distractions and offer opportunities to improve the program to maximize its effectiveness. Bares (2012) believed compensation professionals are fairly adept at communicating compensation mechanics but not as effective at communicating the link from pay to business results and organizational strategy. Testing of new programs before rolling them out should be used to review messaging and learn what the plan means to employees. Another opportunity is following up in the evaluation phase to get communication feedback.

A lack of compensation information for future career paths caused participants to pause and consider if they saw a progression path to achieve their compensation goals. This is supported by expectancy theory in which rewards relate directly to performance. In an organizational culture where pay practices are secret and employees do not see a path to financial rewards, motivation is undermined. Lilly summarized the lack of a performance-reward relationship at her organization.

I feel like you have to switch jobs in companies to make bigger jumps of money. I found that to be true because whatever your pay is when you start you could get good raises but
the best way if you need more compensation is you need a new position or a new company.

Anne came to the same assessment after futile attempts to find a path to advance her pay options within her organization. “I’ve seen that in my own company, if I want to make big leaps and bounds I probably need to go somewhere else.”

After conducting a study on pay distribution and turnover, Shaw and Gupta (2007) found “regardless of an organization’s emphasis on performance- or seniority-based pay increases, low levels of pay system communication weaken employees’ perceptions that within-group pay differences are the result of legitimate factors” (p. 909). This also demonstrated that “because employees are interested in maximizing returns, low pay system communication lowers the possibility that individuals will believe that such returns are possible” (p. 909). Performance-based pay allocation “is likely to be more effective in promoting the retention of good performers” while a seniority-based pay allocation system results in stronger retention of average performers (p. 925).

Expectancy theory is a critical consideration for incentive-based compensation programs. Clear and consistent communication is needed to create the relationship between the behavior and the expected reward. If this relationship cannot be demonstrated or is confusing for employees, the compensation program may not be effective.

**Symbolic Interactionism (SI)**

Symbolic interactionism provides a basis to understand the creation and interpretation of meaning. Mead (1934) argued that people's selves are social products shaped by their social interactions and the meaning they interpret from these interactions.
Blumer (1969) saw symbolic interactionism as the formation of meaning through the process of interaction. Symbolic interaction is a response to the meaning of the object or symbol presented. It implies the idea of intention and a following interpretation. Blumer defined a key element of symbolic interaction as each symbol meaning something unique to each individual depending on their life experiences. This meaning is also derived from the social interaction with others and society. This development of meaning evolves and changes with new interactions.

When participants were asked what pay symbolized for them there was not a common answer. These employees shared a variety of meanings for what pay symbolized, adding to the complexity of designing a pay system and communication that works for all. Participants responded that pay symbolized: 1) family support and comfort; 2) quality of life; 3) personal value; and 4) success. Tina was very clear about the meaning pay had for herself and her family.

[Pay]...symbolizes comfort for my family so being able to get my kids in good school districts, buy a house that they can grow up in, in a neighborhood where they feel comfortable…and possibly take more trips. I don’t need a lavish life but I obviously work to get my pay to raise a family and have some of the comforts of life. When I think about my pay and why I push myself the way I do, it is because I want my family to be able to enjoy some of those things.

These meanings are based on Tina’s individual experiences, interpretations and social interactions.

Interactionists tend to study social interaction through participant observation, instead of quantitative surveys. This is because close contact and immersion into the daily lives of their subjects are necessary for understanding the meaning of actions, the definition of the situation,
and the process by which actors construct the situation through their interaction. Collins (1994b) argued that neglecting the meaning individuals have for symbols drives false behaviors. Pay systems designed to motivate employees to provide a predictable performance level, without explaining the system to employees, may result in misalignment.

Pay is a symbol that invokes significant meaning for employees. Day (2012) found “pay level not only has instrumental implications for one’s quality of life, it carries a significant symbolic meaning” (p. 463). How people communicate and interact with each other depends on how they interpret factors such as language, actions, and status (potential symbols).

In this study, one area I focused on was to understand what pay means to employees. Pay, as a symbol, has different meanings to different employees based on their individual experiences and interactions. Two people could have a salary of $50,000, one sees it as great wealth and another may see it as insufficient. Interaction is the key to how society exists and how we relate to society.

We interpret meaning based on ideas society has given us through socialization, education, and social interaction and media influences. Another important aspect Warren brings up is how our society has been constructed based on a myriad of interactions and experiences of its citizens. It influences the freedom we have for individuals to decide how they want to spend the money they earn and the value of different professions. This is another aspect of how different meanings surrounding pay coexist.

I don’t think it’s the right decision at the same time I guess I don’t necessarily think that people’s freedom ought to be restricted. If people want to pay $100 or more to sit at a ball game and continue to line the pockets of the owners and the ball players, well, it’s their money and they’re free to do that. It’s unfortunate but people don’t value the work
of the other professions that I think are underpaid; social workers, teachers or public servants. It’s unfortunate that we don’t value those people and compensate them relative to what I think their actual worth is.

When Kate was asked what pay symbolized she admitted it was a complicated balance.

   It is an internal struggle. You always want more pay but you also want to focus on the upbringing of family. You want to do better at work to get more pay. But if you focus on pay so much you lose sight of what is important. You want fulfillment and peace of mind.

   Individuals are goal directed. They are constantly determining lines of action toward objects in keeping with their goals. Goals are dynamic. Meanings change as participants are exposed to new experiences and interactions. “Humans are active in situations, and perhaps nothing makes this more clear than the fact that we also manage emotions in situations. We create them; we make ourselves feel” (Charon, 1998, pp. 146-147). Since emotions are social objects used in situations by individuals for active problem solving, they are symbols which evoke meaning for employees. The meaning of a symbol determines how a person will act. This includes both an interaction with one’s self and interactions with others. Based on interview responses, pay is an emotional topic. Even if an employee adhered to a philosophy of “ignorance is bliss”, intense emotions can surface and meaning can change quickly, if they discover what they perceive to be a gross pay inequity. Here is Johnny’s response as he was thinking about comparing pay.

   It becomes more of an emotional thing and I think that can be tricky for some people or that jealousy thing even. I mean I’d be pretty upset if I found out that a certain couple of people were making more than me…
Symbolism represents the opportunity to align pay with what has meaning for employees. Pay communication can target what pay means to people. It is a reminder that the reward being offered must be valued by the employee, and it is dynamic and changing with each interaction.

**Social Solidarity**

Durkheim’s (1964) theory of social solidarity emphasizes the need for interdependence in the workplace. The nature of work is specialized, and employees work collaboratively for the collective good of all. “If the division of labor produces solidarity…it is because it creates among men [sic] an entire system of rights and duties which link them together in a durable way” (p. 406).

Durkheim identified two levels of socialization: regulation and integration. Regulation is based on an institutional level of socialization. Societal norms impose guidance and control on what goals and behavior are necessary. Institutions regulate individuals by defining and communicating acceptable moral rules followed by enforcement of these rules. Integration is more informal. It is everyday interactions with groups. The greater the frequency for opportunities to gather with others the more it reinforces the shared values, norms and beliefs of the group (as found in Kivisto, 2008).

The concept of anomie was introduced by Durkheim (1964) to describe a condition of deregulation that was occurring in society. Rules on how people ought to behave with each other were breaking down and people did not know what to expect from one another. Anomie is a state where norms are confused, unclear or not present. It is this normlessness that Durkheim felt led to deviant behavior. Individuals cannot find their place in society without clear rules to help guide them. Changing conditions that brought greater anomie created higher levels of
dissatisfaction, conflict, and deviance. Under conditions of pay secrecy or lack of understanding regarding pay rules, anomie can result.

The initial goal of the pay transparency policy introduced at Whole Foods Market was to help employees understand why pay differed among employees. If workers understood the type of performance level that earned higher pay, perhaps they would be more motivated and successful (Mackey & Sisodia, 2013). This can lead to increased cohesiveness and social solidarity.

A new owner had purchased Johnny’s company about two and a half months prior to our interview. At the time of the acquisition, no communication had taken place regarding positions or pay. Months later, Johnny and his colleagues still had no information on the status of their jobs or pay situations.

They kind of kept us in the dark most of the time. I really didn’t know if I was gonna keep my pay. I didn’t even know if I was gonna keep my job. The only thing that I was told is that we’re gonna have a meeting within like the first week, sit down with the new owner and he was gonna go over all the benefits and…talk about pay and paid vacations and stuff…that didn’t really ever happen.

Durkheim’s (1964) interest in what creates social order took a different approach from previous theorists. He focused on the relationships between members of a society rather than the individuals themselves. Although Durkheim acknowledged the division of labor in a society generates conflict, he pointed out that for survival, society needs to become interdependent. This need for interdependence binds society together. Durkheim spoke to solidarity rather than divisiveness. Solidarity is not without conflicts. The role of solidarity is not to suppress competition, but to moderate it (p. 365). Pay secrecy can become a divisive factor in attempting
to unify this solidarity. Lack of trust and perceptions of pay inequity can threaten this
interdependence.

“Employees must understand the pay system. Their understanding is shaped indirectly
by the paychecks they receive and directly via formal communications about their pay, their
performance and the markets in which the organization competes” (Milkovich, Newman &
Gerhart, 2014, p. 659). Two primary reasons for communicating pay information are for
employees to know the compensation system is designed to be fair and to avoid misperceptions
held about the compensation system.

When employees misunderstand the pay structure, they tend to overestimate the pay of
lower-level jobs and underestimate the pay of those in higher-level jobs. This misperception can
diminish their motivation because they underestimate the payoff for higher performance. In
addition, there is evidence that the goodwill created by pay openness can influence perceptions

In organizations, the perceived justice of pay practices must be considered. “It is not
enough that there be rules; they must be just, and for that it is necessary for the external
conditions of competition to be equal” (Durkheim, 1964, p. 407). Durkheim also addressed the
aspect of fair pay. “It only asks that we be more thoughtful of our fellows and that we be just,
that we fulfill our duty, that we work at the function we can best execute, and receive the just
reward for our services” (p. 407).

Day (2011) agreed with the need to preserve solidarity in the workplace. “For employees
to be satisfied with their pay, they must believe it is justly determined and distributed. Pay
communication enhances justice perceptions, which increases pay satisfaction” (p. 479).
Though normally the division of labor produces social solidarity, it sometimes happens that it has different, even contrary results. When solidarity deviates from its natural course, anomie or a condition of normlessness results. When we know the circumstances in which the division of labor ceases to bring forth solidarity, we shall better avoid anomie. The way to avoid anomie is to work to preserve solidarity. Stanberry and Aven (2014) suggested making it easy for employees to know that pay and benefits practices are competitive with other companies within the industry, and promote communicating the company’s practices regarding advancement opportunities, merit increases in pay and open-door policies (assuming this is the approach the company utilizes). The more employees know where they stand, and the more they feel they have a stake in the company and its success, the less need they will feel to spend time talking about differences in their pay and benefits.

Pay communication has a pivotal role in creating and sustaining social solidarity. Organizations that help their workforce understand how pay works and provide “just rewards” have the best chance of preserving solidarity and avoiding anomie. Having employees working in concert for the collective good can help maximize performance of the company.

**Secrecy Theory**

Bok (1983) supports Durkheim’s theory of solidarity when she stressed secrecy “is likely to increase the temptation not to cooperate with others to reduce shared burdens” (p. 107). In creating a cohesive work environment, secrets should be minimized. Secrets in the workplace inhibit collaboration and can excuse accountability. Companies with a pay secrecy philosophy can undermine teamwork and trust.

John Mackey, founder of Whole Foods Market, believes “a culture of shared information helps create a sense of ‘shared fate’ among employees. If you are trying to create a high-trust
organization, an organization where people are all-for-one and one-for-all, you can’t have secrets” (Griswold, 2014). Shaw and Gupta (2007) maintained that regardless of a company’s pay strategy, “it is important for employees to have a comprehensive understanding of pay system dynamics” (p. 925).

Bok (1983) asserted there is a need for both secrecy and privacy. She recognized some secrets are desirable while other types of secrets can be harmful. In organizations, secrets are sometimes supported by the need for confidentiality to protect the organization or its employees. In the case of making personal salaries public, Bok understood that individual autonomy over personal information should be upheld. Individuals should be respected as capable of having secrets. Personal privacy and control over secrecy is expected. Harmon and Bill had concerns that sharing personal salaries would be used to assign a value to them that could be used to label or judge them.

Bok (1983) supported the individual’s need for privacy by identifying this as one of the justifications for confidentiality. She provided a reason why confidentiality is justified. Bok called confidentiality “pledges of silence given by professionals which assigns weight beyond loyalty and has utility to persons and to society” (p. 122). A pledge of silence creates an obligation beyond the respect due to persons and to existing relationships.

Joe signed a non-compete agreement when he joined his company that also covered confidentiality of salaries. Bok may have agreed this was not a harmful secret but one that benefits the organization and possibly the individual. Joe described his reasoning behind signing the document.

First of all signing a non-compete, I think all of us individually bring a lot more to the table than others. Some of us might excel in one area and not to another so that might be
reflected on pay. At this point I actually don’t know what my other colleagues in the same department make. I don’t want to know.

Participants wavered between wanting to have access to more compensation-related information and respecting personal privacy for themselves and others. Evidenced by Lilly seeing all the salaries for her department and Tina peeking at her manager’s bonus level, attempts to keep secrets can be compromised when information intentionally or unintentionally is shared.

“Conflicts over secrecy…are conflicts over power: the power that comes through controlling the flow of information” (Bok, 1983, p. 19). In turn, these conflicts can impede trust and create walls between managers who control pay information and employees who are interested in understanding how they can influence their pay rewards. Organizations need a clear relationship between pay and performance for a reward system to improve productivity. Yet, managers allocating wages may invoke secrecy around their distribution of pay to minimize controversy. According to Bok, this secrecy makes it difficult to see the link between pay and performance. If this relationship between pay and performance is unknown, the compensation system will be unable to incent behavior to higher levels of contribution.

Secrets regarding pay. A concern with secrecy is that it excludes some employees and puts them at a disadvantage trying to navigate the company pay systems. Participants expressed confusion over aspects of pay practices held secret. Julie conveyed she was given a special bonus and was told “now this is between us” implying others were not receiving a similar reward and she needed to maintain the secret. When Abby tried to seek out information on how the pay process worked, she learned compensation was not a topic co-workers were comfortable
discussing. The conversations that occurred were prefaced with “okay this stays between me and you” so she would be afraid to “break the rules” by sharing that information.

Bill happened upon salary ranges on the company intranet but he did not share this information with his co-workers.

Participants who uncovered pay information from their transparent manager or accidently found it on their company’s intranet, did not share that information with co-workers. When Sheryl was given information on how pay works, she also did not share what she learned with her colleagues.

I will say most people don’t know like my colleagues who are the same age as me, don’t even know the different hierarchies of the level scale. I only know that again because my boss shared it with me. I think HR would be mad if they knew that he had. That’s the information that I’m not sharing widely with other people. Salary, talking about salaries is kind of taboo. I feel like you don’t want other people to know what you make and HR doesn’t want other people to know like what other people make.

Do these secrets fall into the respected or harmful category? Clearly Sheryl was in an environment where she was apprehensive about discussing pay. It appears the participants who were asked to keep secrets did so for reasons of loyalty or to maintain confidentiality expected by their organizational cultures. The disadvantage is secrecy hides the relationship between pay and performance.

Pay secrecy and pay transparency are levels on a spectrum. It is the degree to which transparency and secrecy are used in organizations that determines the design of pay practices. Bok (1983) defended the need for secrets for personal privacy or for securing “pledges of silence” or confidentiality. She also pointed out secrecy can be used for the mutual benefit of
organizations and individuals. Bok warned that some secrets can be harmful when they hide accountability and give advantages to only a few select people.

**Summary of Findings Interpretation and Analysis**

Analyzing the findings through multiple theoretical lenses revealed connections tying the identified theories with pay communication. This assisted in interpreting the voices of the participants. Equity theory demonstrates the need for employees to be paid fairly to avoid the distraction of cognitive dissonance. Clear and consistent pay systems support expectancy theory’s exchange of inputs for desired outputs. Employees in this environment may see the value to expend more effort to achieve greater rewards.

Analytic theory extends the notion that open pay communication influences the meaning of pay. For some participants, pay symbolized quality of life and supporting family while for others it meant personal value for contributions provided. To develop and sustain solidarity in the workplace, employees must understand how pay works and feel that it is equitable and just. Although confidentiality and autonomy over personal privacy are legitimate reasons for secrecy, greater secrecy can hide the relationship between pay and performance and threaten accountability.

Organizational culture ultimately drives the design of pay communication and pay programs. The theories presented in this chapter have demonstrated applications that would be valuable to consider in building the most effective compensation approach.
CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

In this chapter, I provide a brief summary of this study including the key themes that surfaced from the interviews. I then present the conclusions and recommendations I have drawn from the preceding research findings and analysis. Next, I highlight what future research is needed to answer questions that extend beyond the scope of this study. Finally, I offer my personal reflections on the insights gained through this research effort.

The purpose of this qualitative case study was to learn how attitudes around pay are developed and to understand what role communication has in creating these perspectives. This research focused on the voices of employees as they reflected on how pay works in their organizations. The words they shared highlighted the lack of understanding about pay along with misperceptions around pay. Can communication pave the way toward greater transparency and improved understanding of the complex and uniquely sensitive subject of pay?

Study Summary

This case study focused on employees in for-profit Minneapolis/St. Paul (Twin Cities) organizations to gain insight on how they perceived pay attitudes surrounding compensation. Labor costs are typically the largest cost outlay for most organizations. Understanding the views employees hold regarding their pay may provide the key to improving the pay communication process.

I explored three research questions in this case study: (1) What attitudes and perceptions do employees hold about compensation? (2) What role does communication play in how these perceptions are formed? (3) How can pay communication be improved to benefit employees and their organizations? Employees shared their views on what they knew about pay, how they learned what they knew and what future communication would be valuable to promote improved
understanding and increased pay satisfaction. Employees were invited to give advice to their employers on how communication on compensation could be enhanced.

I conducted semi-structured interviews with 15 employees working in for-profit organizations in the Twin Cities metro area. I employed convenience sampling and snowball sampling to select participants working in individual contributor (non-management) positions with 5-15 years of work experience. This targeted sample represented the Millennial generation. Interview summaries and themes were triangulated using a focus group of business managers and compensation professionals to assess credibility and relevance of the data.

Overall, study participants shared they had limited knowledge about pay. Unanswered questions and misperceptions regarding compensation existed due to lack of communication and education on this subject. All participants acknowledged they would welcome and appreciate expanded information on compensation. Confusion and uncertainty about pay compensation was common, reinforced by a taboo around discussing pay. Employees were reluctant to initiate discussion on pay based on personal values established in their upbringing. There was also a belief within their organizational cultures that personal salaries were not to be discussed, with one organization forbidding this disclosure of pay with a non-compete agreement. Participants were eager to learn more about how pay works, how they could earn more, and how to build a career path for future earnings.

Companies ask compensation professionals to design pay programs and incentives aligning pay and performance. If the link between pay and performance is missing, the effectiveness of these compensation programs declines. Sheryl stated “pretty much everybody gets a 3% raise every year regardless of performance” even after she had described her company as one that rewards employees based on performance. Although the participants saw their
manager as the preferred source of pay communication, some managers lacked an understanding of compensation or were wary to share information with employees.

The key themes emerging from the data were: (1) Employee knowledge about compensation was incomplete and inconsistent; (2) Pay fairness was questionable due to misperceptions and lack of information; (3) Pay communication was seen as taboo; (4) Managers were the most popular and valued source of compensation communications; and (5) Employees desired more communication on pay practices, salary ranges and future pay opportunities.

Organizational culture is an important consideration in determining the right level of pay secrecy or transparency. Culture influences communication styles; Millennials generally preferred open communication and access to relevant information.

**Conclusions**

Three main conclusions emanated from the findings: (1) Employees have limited knowledge of how pay works; (2) Most employees value transparency around compensation; and (3) The link between pay and performance is unclear. Based on the perceptions and lack of compensation knowledge of the participants, compensation was a mystery rather than a driver of their performance. Abby demonstrated this by sharing “you don’t necessarily know what your increase is until you get your paycheck and it's just there.”

**Limited Understanding of How Pay Works**

Millennial employees expect to have easy access to information. They readily use the Internet to seek out pay information. If organizations don’t supply the information employees want to know, the gap may be filled with false or confusing information. Through the interviews, employees voiced their eagerness to learn more about how pay works. Primarily, they wanted to know how their pay compared to internal salary structures and market levels.
They were also looking to the future and wanted to have information to plan their career trajectory.

In the absence of knowing how to increase pay in their current company, participants sought out compensation information by reaching out to peers and eavesdropping on office conversations. Millennials more than any other generation have an entrepreneurial spirit and tend to change jobs about every three years (The 2015 Millennial Majority Workforce, 2014, p. 25). Carrie had been relatively satisfied with pay because every two years she had gotten a new job. “I go get a new job to make more money. I don’t know how long that will last but…that’s been my approach.”

Wagner and Harter (2006) believed it was usually best for individual pay to be kept confidential. They also stressed the need for a common understanding of established salary criteria to create feelings of fairness. Employees need to know how pay plan goals are established, the pay plan goals themselves, how the goals are evaluated and how the payouts are determined. “Employees need to understand there is procedural and distributive justice in the pay system. Without it, the organization is exposed to perceptions of favoritism, opportunism or discrimination” (p. 193).

Lilly left her job after seeing what she termed “ridiculous” salaries for members of her department. Lilly lacked knowledge of how the pay systems worked so she had no understanding of what justified these extreme salaries. At Bill’s company they operated with a “security through obscurity” approach by providing salary ranges on the company intranet but not communicating it was available. Bill stumbled upon the data and found it interesting but he did not have the context of how the ranges were created or how they should be used. Tina expressed compensation was handled in her organization as if they were “shooting from the hip.”
She was disappointed there was no communication on what people were getting paid, and how the pay scale was created.

**Employees Value Transparency**

Study participants were eager to learn more about compensation practices. Growing up with technology they expect to have easy access to pay information and be able to retrieve it electronically. Today more resources on pay are available online. Participants reported frequently utilizing this online pay information to determine their own compensation value even though they realized the data was not entirely reliable.

Pay transparency is one of the leading trends in compensation today (Kelley, 2010). The challenges companies may encounter in embracing this trend should not be used as an excuse to avoid pay transparency. Instead, it can be an opportunity to showcase the employee compensation profile as a strategic tool for a company's success. Because compensation is a company’s largest expense, pay transparency should be employed to help get the best business results from this investment.

Kate wanted enhanced pay transparency from her employer. She lamented the loss of outstanding co-workers who became frustrated with pay secrecy and decided to leave the company. Kate had several questions she would like answered.

It would help attitudes and outlooks to have more information on how pay works. Invite more discussion – why am I at the level I am at? Why aren’t you getting what you should be paid? What is the balance with performance versus the budget? We have lost a number of good people because they were not valued.

**Continuum of pay transparency.** To highlight the spectrum of varying levels of pay transparency, I designed a pay transparency continuum (Figure 3) to illustrate how differing
levels of pay transparency move along a continuum from pay secrecy to total transparency. Communication is the vehicle that propels the environment toward greater degrees of pay transparency.

Figure 3. Diekmann’s Pay Transparency Continuum

I describe the conditions in each of the stages on the Pay Transparency Continuum (Table 3) supplemented with a representative quote from study participants. Each organization must assess what stage of transparency fits its culture and optimizes performance. Too much secrecy can result in turnover of talented employees as Kate described. Moving too fast toward greater transparency can result in confusion and chaos if a stable foundation is not in place. Salary ranges should not just instantly show up on the company’s intranet without accompanying education to provide meaning to the information. The “how” and “why” of compensation philosophy and practices need to be communicated in advance of a rollout of numbers and charts. Share the full compensation story rather than just revealing the end result.
<table>
<thead>
<tr>
<th>Pay Transparency Stage</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 PAY SECRECY</td>
<td>Complete secrecy surrounding pay related information.</td>
<td>Employees are provided general information regarding pay. Employees know they are eligible for an annual pay increase and bonus potential, if applicable.</td>
</tr>
<tr>
<td>1 BASIC PAY INFORMATION</td>
<td>Employees are provided with a high-level overview of how compensation is structured within the organization. They know where their job fits in the grade level and their pay band.</td>
<td>Managers are accountable for educating employees on how pay works and how to advance to different pay levels. The tools and resources are provided.</td>
</tr>
<tr>
<td>2 GRADE LEVELS &amp; SALARY STRUCTURE</td>
<td>Employers provide total transparency of all pay-related information including individual salary information and company financials.</td>
<td>Employees have total transparency of all pay-related information.</td>
</tr>
<tr>
<td>3 MANAGER PAY COMMUNICATION</td>
<td>Employees know what their increase is until you get your paycheck and it's just there.”</td>
<td>Tina – “black hole.”</td>
</tr>
<tr>
<td>4 UNDERSTANDING PAY ALIGNMENT</td>
<td>Employees possess some basic pay information but did not see a link to pay differentials based on performance.</td>
<td>A few participants including Bill appeared to be in Stage 3 where additional pay information was available if you sought it out. Unfortunately the context for the grade and salary data wasn’t provided; so, Bill was unsure how to interpret the data he had access to in his company.</td>
</tr>
<tr>
<td>5 TOTAL PAY TRANSPARENCY</td>
<td></td>
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</tr>
</tbody>
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*Employee Voices by Pay Transparency Stage*

- Abby – “you don’t know what your increase is until you get your paycheck and it’s just there.”
- Tina – “black hole.”
- Marie – “just about everybody was in the middle no matter how hard you worked.”
- Bill – information exists but employees need to seek it out “security through obscurity.”
- Sheryl – “I work for our Vice President who is very, very open and he’s a communicator and likes to be very transparent.”
- Warren – “having the job you’re doing line up according to the amount that you are worth to the company.”
- Kate – “I would love to know. I want to know the comparisons.”

*Table 3. Diekmann’s Stages of Pay Transparency*

Participants expressed a desire to better understand their company’s pay landscape. Based on the study findings, most participants seemed to be Stage 1 or Stage 2 on the Continuum evidenced by little to no pay communication. Abby only found out about a pay increase when it appeared on her paycheck. Tina preferred a culture of pay transparency but described her knowledge of pay as a “black hole.” Marie possessed some basic pay information but did not see a link to pay differentials based on performance. A few participants including Bill appeared to be in Stage 3 where additional pay information was available if you sought it out. Unfortunately the context for the grade and salary data wasn’t provided; so, Bill was unsure how to interpret the data he had access to in his company.
Sheryl had some experience with Stage 4 transparency because she worked for a leader who operated openly. Although she said it took five years of being at her company before she learned how pay worked, she was grateful to her manager for explaining the process to her. She remarked that HR would not want her to know what she now knew about compensation, indicating that her overall organization was not at Stage 4 transparency. Although Warren didn’t experience it directly, he envisioned what Stage 5 transparency would be like. At this level a pervasive understanding would exist of how jobs were valued and how they aligned with company strategy. This would need to be achieved before total transparency (Stage 5) could be successful. For full transparency to exist, employees would need to understand the disparities in pay and also know the steps to achieve higher pay.

**Pay communication assessment model.** For organizations to move along the pay transparency continuum, they need to gauge their existing position along this spectrum. As a tool to determine the current and desired level of pay transparency within an organization, I constructed a Pay Communication Assessment Model. Applying the framework I used to collect data from the study participants, I developed questions for evaluating the current state of pay communication and gathering data on how communication could be enhanced in the future. Making changes to pay communication strategy without understanding what employees want and need may result in an unintended outcome. Such is the case when designing a compensation program that is not aligned with organizational culture and business goals.

Based on the findings in Chapter 4, I designed this model to first assess the current state of pay communication by asking what employees know about pay and how they learned what they know. To move to an environment of increased pay communication, the model then poses questions to identify gaps that impede employees from a fuller understanding of pay practices.
This is accomplished by delving into barriers that restrict communication and asking employees what pay information is most valuable.

**Table 4. Pay Communication Assessment Model**

<table>
<thead>
<tr>
<th><strong>Current State</strong></th>
<th><strong>What Do Employees Know?</strong></th>
<th><strong>How Do They Know What They Know?</strong></th>
</tr>
</thead>
</table>
| *Gauge Existing Pay Knowledge and Communication Methods* | **Current Knowledge**  
- How does pay work?  
- Who determines pay levels?  
- What is fair pay?  
- What does pay symbolize? | **Communication Practices**  
- How do employees learn about pay?  
- Who do they ask?  
- What is the role of managers or mentors?  
- What communication is received when there is a job change?  
- What role does the internal grapevine play?  
- What external influences impact communication?  
- Do employees share what they know about pay with others? |

<table>
<thead>
<tr>
<th><strong>Future State – Moving to Enhanced Communication</strong></th>
<th><strong>What Blocks Communication Efforts?</strong></th>
<th><strong>What More Do Employees Want to Know?</strong></th>
</tr>
</thead>
</table>
| *Identify Barriers and Seek Ideas for Enhanced Communication* | **Barriers and Challenges to Communication**  
- What is confusing about pay?  
- Do misperceptions exist?  
- What is the level of consistency with pay practices?  
- What level of trust exists?  
- Does fear exist?  
- Is discussing pay perceived as taboo?  
- What personal perceptions restrict pay conversations?  
- What organizational factors impact pay communication? | **Opportunities for Enhanced Communication**  
- Access to needed pay information  
- How can employees achieve higher pay/advancement opportunities?  
- Is there a link between pay and performance?  
- How is an open dialogue on pay achieved? Describe what it looks like.  
- What value is placed on non-monetary rewards?  
- What communication methods are most useful? |
The focus of the Pay Communication Assessment Model is on understanding what employees value and need. This foundation guides the process to improve satisfaction with pay levels and processes. While this model provides an outline for discovery, I encourage customization to unique elements of a specific organization’s culture.

**Pay for Performance Link is Unclear**

Szypko and Rasch (2012) found employee engagement suffered when there was not a visible link between pay and performance. In addition, a significantly higher percentage of employees considered exiting their organizations when they could not tie pay to performance. Communication was identified as the most powerful tool in strengthening the connection between pay and performance. Szypko and Rasch indicated, “Employees in organizations with open, honest two-way communication are seven times more likely to know how their performance is related to their pay” (p. 30).

As demonstrated in the Pay Transparency Continuum, the stages of transparency near the secrecy end of the continuum provide less communication. With less communication on compensation, it is also less likely employees understand any relationship between pay and performance. Warren encouraged increased transparency of compensation. He did not see a clear link between pay and performance based on this compensation history.

I didn’t necessarily agree with the company where they said, “Oh well, everybody’s gonna get a flat increase this year based on how well the company is doing.”…I don’t really have a good sense for the algorithm used to determine who gets compensated what [amount]. I know that people get ranked into these different bins, but I don’t really understand how the compensation numbers are arrived at based on the company’s bottom line. It just seems being more transparent, employees would value that.
The balance of power is shifting driven by a changing workforce. Now that Millennials are the largest generation in the workplace they can cause a shift from Stages 1-2 toward Stage 3 and higher. Millennial participants asked for greater pay transparency and an understanding of performance influences pay. For-profit organizations have goals to maximize profitability. They look for the best talent to help achieve this success. Businesses will have difficulty attracting and incenting top talent without a clearly aligned pay for performance strategy.

Lack of pay information or confusion surrounding pay has been a contributing factor for some employees to resign. Julie left a job she “loved” because she wanted to be rewarded based on her contributions. She believed her previous company rewarded everyone equally regardless of performance. Marie shared that lack of merit pay differentiation was why she left her company.

The reward system is very poor so people who work very hard will not be given appropriate raises...there’s a few who shouldn’t get any raises, there’s a few that should get amazing raises, and the rest of the people should get minimum [increases] or inflationary raises. That was not present in our company. I believe that just about everybody was in the middle no matter how hard you worked.

**Recommendations**

Stemming from the stated conclusions, I offer three recommendations to help organizations address issues around pay communication: (1) Recognize the impact of pay secrecy on pay equity perceptions; (2) Determine the right level of transparency for the organizational culture; and (3) Transform managers into communication ambassadors for compensation.
Recognize the Impact of Pay Secrecy on Pay Equity Perceptions

Pay secrecy can create an environment of misinformation similar to what Carrie experienced at her company.

My boss said, “I’ve never given someone in a job 12 months or less this high of a rating before.” And then the next year I get the same rating and I’m told I don’t get a raise. It was because I was at the top of the range. We can’t pay you any more money for this job.

This unpleasant surprise left Carrie highly frustrated and demotivated. This propelled her to start looking for a new job.

Companies with policies prohibiting wage discussions have declined in recent years. One reason for this trend away from pay secrecy is the changing composition of the workforce. With more Millennial and Generation X employees favoring transparency, the reluctance to discuss salary information is fading. Participants found their top reason for not discussing pay compensation had to do with the influences of parents and more seasoned colleagues who will soon be exiting the workforce. Millennials represent a movement toward greater openness in communication. Kate and Bill already advocate for the shift to greater pay transparency – it may not be taboo for long.

A second reason for this transition to transparency is the growth of open compensation systems. “Employers realize that a modern compensation system works best when it is open” (More Employers Ducking Pay Confidentiality, 2001, para. 6). Participants in my study wanted their companies to publish salary ranges and to let employees know what steps to take to maximize their earnings. They wanted to drive their own financial future.
Legal problems concerning policies forbidding conversations on compensation are a third reason why companies should evaluate their level of pay transparency. The National Labor Relations Board (NLRB) has consistently ruled employees have a right to discuss their pay as a "concerted activity." Interfering with that right could be seen as an unfair labor practice. Employers have traditionally wanted to maintain tight control over pay. "As long as employees are in the dark about how much others get paid for the same or similar jobs, the boss has power. The company doesn’t have to worry about being discovered in arbitrary or illogical pay policies, and generally has more control to set pay levels" (*More Employers Ducking Pay Confidentiality*, 2001, para. 8).

A downside of pay secrecy is the perceived impact on pay equity. If pay information is not communicated, employees can become suspicious of how the process works. Anne worked in a company that tightly guarded pay information. She wanted to know more and described her wish that her placement within the pay range could be shared. Due to the lack of compensation information available, Anne even doubted the integrity of data that might be provided.

“Here is where you fall in that range.” I feel like that would go a long way. Honestly I can even see a company doing something like saying, “The range goes lower than it probably really does and look you’re all the way up here by the top.”

“Employees can increasingly vote with their feet. If they don’t like how they get paid, a big raise probably waits for them down the street. What is the employer afraid of? If their pay practices are fair, equitable and competitive they should be able to respond to legitimate questions from employees concerning pay rates” (*More Employers Ducking Pay Confidentiality Issue*, 2001, para. 9).

A transparent and effective compensation system works to both motivate employees and
promote the organization’s goals. It may be challenging to introduce an open compensation plan but the results can be highly positive in the long-term.

**Determine the Appropriate Level of Transparency**

“Compensation holds together your business strategy so that your organization can withstand the weight of the competition” (*Communicating Compensation*, 2014, p. 12). Most employees value transparency around compensation issues, but transparency occurs on a spectrum and there is a right level of transparency for every culture.

Day (2014) emphasized the need to consider organizational culture in determining what type and level of communication works best. Determining and articulating the organization’s compensation philosophy is a key requirement to assess what level of transparency is best. If an organization has a simple and equitable pay system easily translated, moving toward enhanced transparency is more straightforward. On the other hand, organizations with an unclear compensation strategy or a highly complex pay system may have greater difficulty in navigating toward transparency.

Kelley (2010) stated, “The overwhelming majority of firms surveyed (76%) indicated that they aspire to have more transparency about pay” (para. 2). Given the level of technology available today this is not surprising. Historically organizations could tightly control the access to pay information. Employees are now able to see significantly more data without any filters as to what is “right” or relevant for the company. Remaining silent and not confronting this constant stream of data with explanation of pay practices leave employees to their own conjecture and threatens relationships of trust in the workplace. Businesses are looking for quantifiable reasons on how pay transparency impacts the bottom line. Not having a strong
business case can stall the financial support and leadership buy-in for a change in the level of pay communication.

    Day (2012) confirmed pay communication positively affects employee attitudes. Her study contributed the following results:

1) Perceived communication about pay level determination enhances organizational commitment, pay satisfaction level and administration.

2) Enhanced pay perceptions stem from improved pay communication.

3) The belief the organization has unwritten pay secrecy policies is associated with lower pay administration satisfaction.

4) Pay secrecy policies do little to keep employees from discussing their pay. (pp. 473-474)

These findings indicate organizations adopting a more progressive pay transparency stance will improve employee commitment, create greater pay satisfaction, and increase positive perceptions on both pay itself and the administration of pay. A secretive pay approach produces lower pay satisfaction and does not restrict employees from discussing compensation. Day’s (2012) research provided an explanation of the benefits justifying raising the pay transparency level.

“How you communicate the details of your compensation plan is as important as the plan itself” (Communicating Compensation, 2014, p. 23). There is not just one universal compensation approach that will work for all organizations. Customization of a company’s pay transparency approach is essential. Determining the appropriate level of pay transparency requires a clear vision. Pay transparency is about communicating openly with employees about
the process and the context for how pay is determined. Compensation professionals frequently ask the question about whether an organization should share their pay ranges with employees.

First, look at the broader questions like: What are pay ranges used for? How are they determined? If the organization uses market pricing to build the range structure, discussions with employees about the mechanics of that approach can be a lot more engaging than just sharing the mere numbers. (Kelley, 2010, para. 5)

**Managers as Communication Ambassadors**

Study participants clearly called for increased pay communication. They also identified their manager as the preferred source of this communication. “When it comes to pay, individual performance and job-related information, a large majority of employees prefer to hear from their managers through one-on-one conversations” (*Inside the Employee Mindset*, 2014, p. 26).

Organizations can make important strides in communicating compensation by transforming managers into pay communication ambassadors. These leaders first need a clear and consistent understanding of compensation strategy and practices before they conduct conversations on pay with employees. To be successful, managers must know how compensation works and have access to tools and resources to educate their employees on pay programs.

Managers are definitely the best source to communicate with employees about pay (Kelley, 2010). Often investment in educating managers on compensation is overlooked. Compensation professionals can develop the curriculum and messaging, but the direct relationship between managers and direct reports makes for the most effective communication method. For most managers, conducting candid discussions with their employees on pay “ranks about as high on the stress meter as a conversation with the tax auditor” (para. 7). Managers are often reluctant to talk about compensation because they fear the conversation may cause conflict.
Managers need to know conflict is part of the job and cannot be avoided, only managed. Teach leaders to communicate and manage conflict (Compensation Best Practices Report, 2014).

A leader should be held accountable for effective pay allocation and employee communication. Training is often needed to prepare managers to have meaningful employee discussions and answer questions on information employees want to know. Based on the responses of the participants, many were not comfortable bringing up the topic of pay with their manager. Employees willing to initiate pay discussions attributed it to having a good relationship with their manager.

Kelley (2010) encouraged organizations to develop a training curriculum that provided managers with the right information about the mechanics of the pay programs and used experiential learning techniques. Creating case studies and role-play scenarios that allowed the managers to practice the delivery of the communication and receive immediate feedback are crucial. Typically this education is treated as an afterthought, with managers expected to learn about compensation from reading a PowerPoint slide deck.

Reid (2012) attributed the tremendous improvement in Mayo Clinic’s pay satisfaction scores to their dynamic and pervasive communication approach. Critical program design components for their communications included making the message understandable, collaborative, transparent and consistent which created a more predictable expectation about compensation.

Communication opportunities used by Mayo Clinic included department meetings, focus groups, new employee orientation and new manager training. Mayo’s compensation staff took advantage of opportunities to partner with their business leadership to educate employees on how pay worked. They created a robust website with necessary communication tools and documents
for managers. A major success was designing and facilitating a class entitled “Answering Tough Questions about Salary: The Manager’s Role.” They used tough questions that had surfaced from actual employees as part of curriculum to make the training as relevant as possible.

Prepared with solid answers to employees’ challenging questions, managers gained confidence and expertise to address questions directly.

After a comprehensive rollout of these pay communication strategies, Mayo Clinic’s overall pay satisfaction score went from 18% in 2000 to 79% in 2012 (Reid, 2012, p. 88). Scores for predictability of pay and understanding of pay also rose dramatically, from under 15% to over 80% (Reid, 2012, p. 88). This was accomplished without increasing pay.

Mayo Clinic’s example demonstrated how significantly pay transparency and open communication can impact an organization. Another example occurred during this study’s focus group discussions. A compensation executive shared how appreciative her leaders were when she conducted a training session on how pay works. These leaders went from wondering what a compensation professional did to wondering how just one person can handle all that needs to be done to manage a market competitive pay system. They immediately gained insights they could use to better communicate with employees.

Conducting an engagement survey can provide insights for managers to improve employee communications about compensation. Managers should connect with employees on what motivates them so they can customize the communication to the individual. Identifying what compensation information managers need to cover in their conversations is crucial. Providing toolkits to managers as an aid to structure and convey the compensation topics can augment the communication experience (Compensation Best Practices Report, 2014).
Can pay plans be simplified to promote better understanding? Compensation is a complex and emotional subject. When developing appropriate messaging for pay communications consider the intended audience, the purpose, context and delivery vehicle. It is important to keep the language clear and simple, avoid jargon and focus on helping the employee understand the information. Be direct and empathetic; acknowledge that discussing compensation can be uncomfortable. Monitor pay communication and check for understanding to ensure the correct message is getting across. For many individuals, money is a personal topic impacting a person’s livelihood and sense of self-worth (Communicating Compensation, 2014).

Organizations that effectively communicate compensation in an environment of pay transparency have a competitive advantage in attracting and retaining talent. Clearly articulating the relationship between pay and performance provides employees with the ability to influence their own pay. Properly linked to company goals this strategy will align employees with key organizational priorities. If employees are unaware of what behaviors lead to higher levels of pay, or observe inconsistency in the distribution or rewards, dissatisfaction intensifies which can result in lower morale, reduced productivity and higher turnover.

Based on my own professional experience, I see a profound gap between organizational vision and employee engagement. I believe organizations are created for a valuable purpose and employees come to work with a desire to support their company’s mission. However, breakdowns occur and employees become disconnected from and lose passion for the organization’s goals. An employee once asked me, “If our company mission states employees are our greatest assets, why do I feel depreciated rather than appreciated.”

Open communication is a path for organizations to develop a true partnership with employees to align their talents with organizational needs. Clearly articulating the relationship
between personal compensation and the company’s success is a step along this path. Establishing a mutually beneficial environment where both employees and the company see how they can both profit, elevates engagement and creates a competitive advantage. A starting point is to ensure transparency and clarity with how rewards are earned.

**Future Research**

This study produced unanswered questions that extended beyond its defined scope. An area for deeper analysis is how organizational culture influences pay communication strategy. This study only collected top level perspectives from participants on how they described their organization’s culture. The employee viewpoint was the focus in this research but did not include corresponding manager or organizational perspectives. Central to creating and implementing successful rewards programs, a communication balance between employee needs and organizational strategy should be established. Further research should be conducted to explore the impact of organizational culture on pay communication and assess the advantages and disadvantages of increased pay transparency from the organizational perspective.

Individual compensation, defined as base salary and bonus (if applicable), was the scope of this study. However in the interviews, participants indicated they consider a broader array of rewards when assessing pay fairness. Reward components of benefits, paid time off and retirement plans in addition to non-monetary perks of flexibility and working remotely were valuable to participants. Employees also initiated conversations on other forms of recognition and rewards from verbal praise to volunteering. Only 44% of Millennials rank pay as their top consideration when seeking employment (The 2015 Millennial Majority Workforce, 2014, p. 24). Other top needs were having a good manager and working with and enjoying the team. Research
to learn more about attracting and retaining a quality workforce using the full scope of career development, recognition and rewards would be beneficial.

Another avenue of future study is to explore the specific roles and approaches for compensation professionals, executives and HR to determine an appropriate level of pay transparency for an organization. This would include how to build and sustain communication processes to relay critical and consistent compensation information to employees.

**Summary of Conclusions and Recommendations**

In this chapter I presented a brief summary of this qualitative pay communication study and I outlined the key themes, conclusions and recommendations. I identified three main conclusions from the findings: (1) Employees have limited knowledge of how pay works; (2) Most employees value transparency around compensation; and (3) The link between pay and performance is unclear. This research did confirm the lack of compensation information restricts participants from understanding the relationship of pay and performance. To address these conclusions, I offered three recommendations to help organizations enhance pay communication: (1) Recognize the impact of pay secrecy on pay equity perceptions; (2) Determine the right level of transparency for the organizational culture; and (3) Transform managers into communication ambassadors for compensation.

**Closing Reflections**

"It is good to have an end to journey toward; but it is the journey that matters in the end."

*Ernest Hemingway*

Compensation is a complex topic packed with professional jargon, mysterious numerical calculations and emotional sensitivity. Along this dissertation journey I gained much more perspective on what pay means to individuals. I am grateful to the study participants for their
open and honest conversations. As a compensation practitioner, I sometimes get wrapped up in the process and lose sight of the personal aspects of pay and how profoundly it can impact a person’s life. I now have greater understanding and see the frustrations and struggles when pay secrecy is the norm.

This journey has renewed my passion for enhancing pay communication and education. Compensation is one of many topics we experience in life where there is not one “right answer.” Ongoing dialogue and adaption to changing landscapes keeps us moving toward better compensation outcomes. The most rewarding part of this journey was connecting with the participants. Their willingness to reveal their personal perspectives, stories and struggles to an outsider demonstrates their own commitment to transparency. Based on my interactions with these Millennials, I am excited to watch how they shape organizations in the future. This journey continues.
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http://dx.doi.org/10.1037/h0040968


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http://www.worldatwork.org/adimComment?id=64628


Appendix A

Consent Form

CONSENT FORM
UNIVERSITY OF ST. THOMAS

Understanding Pay: Perceptions, Communication and Impact in For-Profit Organizations

I am conducting a study about pay perceptions of employees in for-profit organizations and how communication influences these perceptions. I invite you to participate in this research. You were selected as a possible participant because you are a professional, non-management salaried employee with a bachelor’s degree and 5 to 15 years of work experience. Please read this form and ask any questions you may have before agreeing to be in the study.

This study is being conducted by: Nancy Diekmann, under the guidance of Dr. Deborah DeMeester in the Department of Leadership and Policy Administration.

Background Information:
The purpose of this study is to explore the perceptions employees hold about their pay and how communication influences their views. It will address the impact these perceptions have on the organization’s ability to incent worker performance. Do employees benefit from open communication of compensation philosophy, pay levels and salary administration or is it better to keep pay practices secret?

Procedures:
If you agree to be in this study, you will be asked to answer questions in a 60 minute semi-structured interview which will be audio-recorded to preserve your responses verbatim. All participation is voluntary and you can end the interview at any time. Initial interviews will include time for providing background, explaining the research/interview process, reviewing and signing a consent form, answering questions and assuring you are comfortable contributing to this research. I will ask permission to do a 30 minute follow up interview if necessary to clarify the data collected, ask emerging questions or evaluate themes and codes that are developing.

Interviews will be conducted at a suitable, mutually agreed upon location. It is anticipated approximately 10-15 participant interviews will be conducted. The number of interviews will ultimately be determined by the need to reach saturation of the data.

You will be briefed on the purpose of the study, my role as researcher and how confidentiality will be maintained. I will share a summary of your interview with you for review to assure your data has been accurately captured. You will also be invited to provide feedback on your data and to share additional thoughts that arose on the subject between interviews.
Appendix A (continued)

Risks and Benefits of Being in the Study:
There are minimal risks of being in this study. Participation in this research is strictly voluntary. Prior to starting the interview, you will be informed that the data you share will be held confidential. You will be given a consent form to review and sign. I will also explain your participation is voluntary and you are able to stop the interview at any time. You may also skip specific questions if desired. To further minimize risk you would be identified, I will use pseudonyms to disguise your identity and the identity of the company for which you work. You will receive no direct benefits for participating.

Confidentiality:
The records of this study will be kept confidential. In any sort of report I publish, I will not include information that will make it possible to identify you in any way. The types of records I will create include audio recordings, written notes transcripts and consent forms. Electronic data including transcripts will be maintained on a password protected PC. Hard copies of notes, transcripts and consent forms will be kept in a secured file area. Pseudonyms will be used to eliminate identification of your references in the data. Audio recordings will be retained until the approval of my dissertation. At that point they will be destroyed. Transcripts and data summaries which have been de-identified may be retained indefinitely for the purpose of additional data analysis and research. The written notes and transcripts will be de-identified by using pseudonyms in place of real names at all times. Access to the research data is limited to the transcriber. Dr. DeMeester, the advisor for this project, may review notes and transcripts which use pseudonyms. Limited data may be shared with dissertation committee members for review once it has been de-identified with pseudonyms.

Voluntary Nature of the Study:
Your participation in this study is entirely voluntary. Your decision whether or not to participate will not affect your current or future relations with your organization or the University of St. Thomas. If you decide to participate, you are free to withdraw at any time. Should you decide to withdraw, data collected about you will not be used in the study. You are also free to skip any questions I may ask.

Contacts and Questions
My name is Nancy Diekmann. You may ask any questions you have now. If you have questions later, you may contact me at xxx.xxx.xxx or contact my Advisor, Dr. Deborah DeMeester at xxx.xxx.xxx. You may also contact the University of St. Thomas Institutional Review Board at xxx.xxx.xxx with any questions or concerns.

You will be given a copy of this form to keep for your records.
Appendix B

Referral Email to Locate Participants for the Study

Dear (Referral Name),

I am conducting a dissertation research study exploring employee perceptions on pay and pay-related communication. This research is focused on employees in for-profit organizations in the Twin Cities area.

I am looking for your help to identify participants to be interviewed for this research study.

Research participants must meet the following criteria to qualify for the study:

- Professional level, salaried individual contributor (non-management) employee
- Working in a for-profit company
- Located in the Minneapolis/St Paul and surrounding metro area
- Have 5-15 years professional level work experience

I am looking for employees in a variety of occupations and industries. Participants will not be compensated for their involvement in this study. If you know an individual who meets these criteria and may be interested in participating, please provide me with the following information on the prospective participant:

- Name
- Email address
- Phone number (if known)
- Position/Employer (if known)
- Functional Area (if known) Operations, Engineering, Finance, Marketing, IT, etc.

I will follow up with the person you have identified – you only need to provide the contact information and be willing to have yourself listed as the person providing the referral. To ensure there is no pressure or influence, please avoid referring anyone you have influence over such as a person who reports to you. The interviewees’ participation must be completely voluntary.

Below is the initial communication I would send to these participants.

Please let me know if you have questions or concerns.

Thank you for your assistance in launching this research study!

Nancy Diekmann
Doctoral Candidate
University of St. Thomas
Appendix C

Email to Participants

To potential research study participants:

To expand understanding on the subject of pay-related communication within a for-profit company, I am seeking individuals who are willing to be interviewed on this topic. I am conducting this research in pursuit of a doctorate in Educational Leadership at the University of St. Thomas. I am exploring how pay communication is delivered and received along with how communication influences perceptions around pay.

You have been identified by [name of person providing the referral] as a potential interview participant for this research study.

After a brief initial screening to assure you represent the population being studied, a semi-structured interview lasting approximately 60 minutes will be conducted. This interview will be scheduled at a time and place convenient for you. Your participation will be confidential and the data you share will be referenced using an assigned pseudonym. You are receiving this email because you have been identified as an employee in a for-profit organization who is in a professional level, non-management role with 5-15 years of work experience.

If you meet the described criteria I invite you to become part of this study. Participation is completely voluntary.

Thanks for considering this opportunity to take part in this research study. Please contact me via email at xxxxxxxx@xxxxxxxx.xxx or xxx.xxx.xxxx if you are willing to participate or have questions. I look forward to hearing from you.

Nancy Diekmann
Doctoral Candidate
University of St. Thomas
Appendix D

Interview Questions

• Describe your company’s organizational culture.

• How does compensation work in your organization? What do you know about your organization’s pay practices?

• How are pay levels determined for your job?

• Tell me how pay information is communicated in your organization.

• Who communicates pay information?

• How do you define fair pay?

• How do you know if you are paid fairly?

• Who decides your pay?

• How do you get more pay?

• Who do you discuss pay with?

• What does pay symbolize to you?

• What confuses you about pay?

• Where would you go if you had a pay-related question?

• What would you do if a co-worker asked how much you were paid?

• What compensation-related information could be shared with you to encourage you to stay at your current organization?

• If I was a manager trying to attract you to work in another company, what compensation information would be valuable?

• What would happen if employee salaries were communicated within the organization?

• What else would you like to know about compensation?

• What advice would you give your organization on communicating pay?

• Is there anything else I haven’t asked that you’d like to add?
Appendix E

Participant Background Questionnaire

Pay Communication Research Study
Principal Researcher: Nancy Diekmann

<table>
<thead>
<tr>
<th>Background Data</th>
<th>Response</th>
</tr>
</thead>
<tbody>
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<td>1. Name</td>
<td></td>
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<tr>
<td>2. Phone Number</td>
<td></td>
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<tr>
<td>3. Email address</td>
<td></td>
</tr>
<tr>
<td>4. Position Title</td>
<td></td>
</tr>
<tr>
<td>5. Name of Employer</td>
<td></td>
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<tr>
<td>6. Employer's location (city)</td>
<td></td>
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<tr>
<td>7. Is your employer a for-profit or a non-profit organization?</td>
<td></td>
</tr>
<tr>
<td>8. If for-profit, Ownership Type: Privately Held or Publicly Traded</td>
<td></td>
</tr>
<tr>
<td>9. Employer Size: Annual Revenue</td>
<td></td>
</tr>
<tr>
<td>10. Employer Size: Number of Employees</td>
<td></td>
</tr>
<tr>
<td>11. Are you paid an Annual Salary or Hourly Wage?</td>
<td></td>
</tr>
<tr>
<td>12. Years of Professional Level Work Experience</td>
<td></td>
</tr>
<tr>
<td>13. Years at Current Employer</td>
<td></td>
</tr>
<tr>
<td>14. Education Level</td>
<td></td>
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<tr>
<td>15. Are you in a manager role?</td>
<td></td>
</tr>
<tr>
<td>16. Have you previously been in a manager role?</td>
<td></td>
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<td>17. Are you in a human resources role?</td>
<td></td>
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<td>18. Have you previously been in a human resources role?</td>
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<td>19. Age</td>
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<td>20. Gender</td>
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Questions? Contact Nancy Diekmann at xxxxxxxxx@xxxxxx. xxx or xxx. xxx. xxxx
## Appendix F
### Summary of Participants

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<th>Name</th>
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