Pay Transparency: Should You Keep Your Salary A Secret?

Pay transparency increases trust and reduces discrimination

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Do you talk about your salary with coworkers? Is it OK to discuss your salary with them? One survey showed that 42% of Gen-Z employees would share salary information with a coworker (compared to 19% of Baby Boomers). Another survey showed that 63% of employees prefer to work at a company that discloses pay information, but only 19% of the companies actually do that. This article will answer a few questions: can you keep salaries secret? And more importantly: what does it do to trust? (employees' trust in the company and their trust in each other).

Should You Be Keeping Your Pay a Secret?

First, it should be noted that under the National Labor Relations Act of 1935, employees have the right to communicate with their coworkers about their wages. Disclosing wage information outside the company (e.g., on social media) could violate confidentiality, and employers can prohibit such discussion from taking place on company premises, but they cannot prevent employees from discussing wages with one another. *(Note, this article is not intended to provide legal advice. Seek professional legal advice on the topic).*

Regardless, a 2022 survey of 2,449 adults showed that while only 19% of Baby Boomers (ages 58-76) said they shared salary information with coworkers, as much as 42% of Gen Z employees did the same (along with 40% of millennials and 31% of Gen-Xers). The reality is that more and more employees share salary information, whether their companies exercise pay transparency or not. A Glassdoor survey found that 63% of employees prefer to work at a company that discloses pay information, but that only 19% of companies actually do so. It's a huge gap.

One last thing to consider is that people make assumptions when they don't know the facts. Relying on websites that anonymously disclose salary information (such as Glassdoor or Payscale) leaves more to assumptions than to real data, possibly manipulated by fake reviews and disgruntled employees. What would happen when an employee assumes that someone else is making more than them? Or less than them?

What Does It Do to Trust?

When your employer asks you to keep a secret from another employee, it hurts your trust in each other. Keeping secrets from each other is a recipe for distrust because we don't trust people who keep secrets from us. A person's salary is an important part of their employment with the company, and keeping such an important topic a secret can hurt trust more than keeping much less important topics a secret.

Suppose employees are likely to eventually disclose pay information (as 42% of Gen-Zers are). In that case, they will likely find out that different employees get different salaries, whether there is good reasoning for it or not. At that point, the asymmetry of pay will increase the distrust employees have in one another.

The fact that the company keeps that information secret causes employees not to trust the company. Transparency is important for trust. So is predictability. Knowing that there is a fair and equitable formula by which salaries are calculated increases the trust in the company. The fact that the company keeps salaries secretive indicates (whether true or not) that the company is *not* using fair and equitable pay practices.

Where Does It Leave Us?

Companies should not assume that employees are not discussing their salaries. They should grow beyond 19% of companies that already exercise pay transparency. Once pay transparency exists, it becomes much harder to discriminate based on unreasonable criteria. Companies should determine criteria for pay differentiations. Those can include performance, skills, experience (even employment duration with the company as a proxy for loyalty), and any other criteria that should be deemed fair and equitable. Pay doesn't need to be *equal*, but it must be *equitable*. As long as pay and the criteria for determining it are transparent and fair, employees will have no problem trusting the company, as well as trusting each other (they are no longer asked to keep secrets from one another and are being paid equitably, fairly, and thus symmetrically).

For one of the criteria to be performance, performance reviews must be done fairly, based on as objective criteria as possible, and delivered objectively.

The role of prior pay should be eliminated. Suppose the previous company overpaid, and the employee will not move to your company until their prior salary is met. In that case, you may not want that employee anyway because they will likely "jump ship" as soon as another company offers them a higher salary. Besides, studies show that employees are willing to take a pay cut for a new job if they believe they will enjoy it more (and, by the way, job satisfaction is 56% higher when there is a higher level of trust in the company, and pay transparency achieves that).

Finally, another good side effect of pay transparency was quoted by President Obama when he signed a 2014 Executive Order stating that Federal contractors cannot prohibit employees from discussing compensation:

"When employees are prohibited from inquiring about, disclosing, or discussing their compensation…compensation discrimination is much more difficult to discover…and more likely to persist."

Both racial and gender pay discrepancies still exist. Pay transparency can solve this as well.

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