

# Question on notice from the Senate Select Committee on Work and Care to the Workplace Gender Equality Agency

## Question: Does research suggest that employees resign and leave their organisations when transparency measures on pay increase?

Overall, research indicates that increased salary transparency does not have a significant effect on employee resignations.

For instance, one study considers the effects of a 2007 initiative that provided public access to mean salaries of women and men in the university sector in the United Kingdom. The dataset contained over 10,000 female faculty and 25,000 male faculty from 24 universities, and found that women's movements to another university or sector following pay transparency, while higher relative to men, were not statistically significant. This finding indicates that women stayed with their employer and negotiated higher salaries.<sup>i</sup>

Pay transparency can also link positively to staff retention. Research finds that employees who reported their organisation's pay practices as very transparent were less likely to seek new job opportunities. Employees who reported that their organisation's pay practices were not transparent, or "very opaque," were 183% more likely to leave their organisation than those employees working in highly transparent organisations.<sup>ii</sup>

Research also speaks to three areas of pay transparency: 1) pay process transparency – how pay is determined; (2) pay outcome transparency – disclosure of individual employee pay; and (3) pay communication transparency – the extent to which employees can discuss pay.<sup>iii</sup> Research from Switzerland finds that higher levels of pay process transparency has been associated with less voluntary staff turnover. However, organisations with pay outcome transparency and pay communication transparency do not report lower voluntary turnover rates.<sup>iv</sup> Research finds that transparency in communicating about pay policies, procedures, pay ranges, average merit increases and criteria for pay increases links positively to employees' trust in their employer and negatively to an employee's intention to leave.<sup>v</sup>

More broadly, when considering the employee and organisational effects of pay transparency, research indicates the potential for both positive and detrimental effects.<sup>vi</sup> Such effects can link to and depend on how employers communicate and commit to transparency measures.<sup>vii</sup> At the individual employee level, organisations with greater pay process transparency report more collaboration, ideas exchange and interaction among staff.<sup>viii</sup> Other research finds effects on employee morale such as counter-productive work behaviours, lower levels of job satisfaction, and negative attitudes towards higher paid co-workers.<sup>ix</sup> Transparency can also have organisational-level effects. For instance, pay process transparency can link to higher levels of organisational performance.<sup>x</sup> Some evidence also suggests that salary transparency contributes to pay equity and equality.<sup>xi</sup>



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<sup>i</sup> Gamage, DDK, Kavetsos, G, Mallick, S & Sevilla, A (2022), Pay Transparency Intervention and the Gender Pay Gap: Evidence from the UK, viewed 29 September 2022, available: SSRN: <https://ssrn.com/abstract=4153192> or <http://dx.doi.org/10.2139/ssrn.4153192>.

<sup>ii</sup> Payscale (2021), The Impact of Fair Pay Perception on Employee Retention, viewed 29 September 2022, available: [tps://www.payscale.com/research-and-insights/fair-pay-impact/](https://www.payscale.com/research-and-insights/fair-pay-impact/).

<sup>iii</sup> Arnold, A & Fulmer, IS (2018), Pay transparency, In Perkins, SJ (ed.), *The Routledge Companion to Reward Management*, London: Routledge.

<sup>iv</sup> Arnold, A, Fulmer, IS, Sender, A, Allen, DG, & Staffelbach, B (2018), Compensation and Pay Transparency Practices in Switzerland: Survey Report 2018, Lucerne: Centre for Human Resource Management (CEHRM), University of Lucerne.

<sup>v</sup> Scott, D & Jordan, D (2018) Pay Transparency: What Do Employees Think. *World at Work Journal*, 27,pp. 34-42, retrieved from Loyola eCommons, School of Business: Faculty Publications and Other Works.

<sup>vi</sup> Obloj, T & Brown, D (2020), Beware the downsides of pay transparency, *Financial Review*, viewed 29 September 2022, available: <https://www.afr.com/work-and-careers/workplace/beware-the-downsides-of-pay-transparency-20191028-p5351k>; Zenger, T (2016), The case against pay transparency, *Harvard Business Review*, viewed 29 September 2022, available: <https://hbr.org/2016/09/the-case-against-pay-transparency>.

<sup>vii</sup> Obloj, T & Brown, D (2020), Beware the downsides of pay transparency, *Financial Review*, viewed 29 September 2022, available: <https://www.afr.com/work-and-careers/workplace/beware-the-downsides-of-pay-transparency-20191028-p5351k>.

<sup>viii</sup> Arnold, A, Fulmer, IS, Sender, A, Allen, DG, & Staffelbach, B (2018), Compensation and Pay Transparency Practices in Switzerland: Survey Report 2018, Lucerne: Centre for Human Resource Management (CEHRM), University of Lucerne.

<sup>ix</sup> Bamberger, P (2021), Pay Transparency: Conceptualization and Implications for Employees, Employers, and Society as a Whole, *Oxford Research Encyclopedia of Business and Management*, available: <https://oxfordre.com/business/view/10.1093/acrefore/9780190224851.001.0001/acrefore-9780190224851-e-347>; Schnaufer, K, Christandl, F, Berger, S, Meynhardt, T & Gollwitzer, M (2021), The shift to pay transparency: Undermet pay standing expectations and consequences, *Journal of Organisational Behaviour*, vol. 43, pp.69-90, doi: 10.1002/job.2575.

<sup>x</sup> Arnold, A, Fulmer, IS, Sender, A, Allen, DG, & Staffelbach, B (2018), Compensation and Pay Transparency Practices in Switzerland: Survey Report 2018, Lucerne: Centre for Human Resource Management (CEHRM), University of Lucerne.

<sup>xi</sup> Baker, M, Halberstam, Y, Kroft, K, Mas, A & Messacar, D (2021), Pay Transparency and the Gender Gap, NBER Working Paper No. 25834, available: 25834 <http://www.nber.org/papers/w25834>; International Labour Organisation (2022), Pay transparency legislation: Implications for employers and workers' organisations, Geneva: ILO; Obloj, T & Zenger, T (2020), The Influence of Pay Transparency on Inequity, Inequality, and the Performance-Basis of Pay in Organisations, Working Papers hal-02896651, HAL.