Human Resource Management Review xxx (2015) xxx-xxx



Contents lists available at ScienceDirect

### Human Resource Management Review

journal homepage: www.elsevier.com/locate/humres

### Pay communication: Where do we go from here?

### Shelly Marasi<sup>a,\*</sup>, Rebecca J. Bennett<sup>b</sup>

<sup>a</sup> University of Central Oklahoma, Department of Management, 100 North University Drive, Edmond, OK 73034, United States <sup>b</sup> Louisiana Tech University, Department of Management, P.O. Box 10318, Ruston, LA 71212, United States

#### ARTICLE INFO

Article history: Received 30 December 2014 Received in revised form 13 July 2015 Accepted 23 July 2015 Available online xxxx

Keywords: Pay communication Pay openness Pay transparency

### ABSTRACT

Recently, there has been a movement towards pay openness in the workplace. However, the pay communication literature is narrow in scope, considering only a limited range of outcomes, which makes the reasoning for this recent trend of pay openness practices hard to determine. Therefore, the purpose of this paper is to encourage expansion of the pay communication research, specifically focusing on pay openness practices. A definitive description of pay communication, as well as its two extremes (pay openness and pay secrecy) are provided. Additionally, a typology of the two aspects of pay communication (organizational restriction and employee restriction) that has been identified from the literature is developed. Based on the organizational justice framework, propositions are developed for pay openness practices' influence on previously overlooked dependent variables such as workplace deviance, organizational citizenship behaviors, organizational commitment, and perceived organizational support. Several propositions, models, and additional new directions are presented for future research.

Published by Elsevier Inc.

#### 1. Introduction

Recently, there has been a movement towards pay openness, also known as pay transparency, in the workplace. This current trend is due to several things. First, pay information is now readily available on the internet through third-party websites such as Glassdoor. com, Salary.com, and PayScale.com, where individuals can access general salary information (such as the salary average, as well as the 10% and 90% averages) as well as anonymously-posted individual salaries for specific jobs in certain locations or in certain companies (Ledford, 2014). Second, President Barack Obama signaled the essential need for a pay openness culture by signing an Executive Order in April 2014 that prohibits federal contractors from retaliating against employees who discuss their personal pay information. Third, the latest entrants to the workforce are the Millennial generation who are acquainted with an open-access culture where they are comfortable providing personal information on the internet, such as with social media networks (e.g., Instagram, Twitter, and FaceBook: Lytle, 2014).

Finally, several news articles have called for more pay openness in the workplace, stating how more beneficial pay transparency is in regards to positive employee and organizational outcomes (e.g., Bacharach, 2012; Lytle, 2014). For instance, pay openness assists in building perceptions of fairness, which in turn positively influences other desirable outcomes such as employee engagement (Bamberger & Belogolovsky, 2010). Additionally, some argued benefits of a transparent culture includes its assistance in the recruitment process (by making the timeline shorter since pay is known and salary negotiations are limited to a specific pay range) and in the diminishing of wage inequality between genders and races, which tends to be a big challenge for some companies, and creates positive perceptions of organizational justice (Lytle, 2014).

\* Corresponding author. E-mail addresses: smarasi@uco.edu (S. Marasi), rbennett@latech.edu (R.J. Bennett).

http://dx.doi.org/10.1016/j.hrmr.2015.07.002 1053-4822/Published by Elsevier Inc.

2

# **ARTICLE IN PRESS**

#### S. Marasi, R.J. Bennett / Human Resource Management Review xxx (2015) xxx-xxx

In support of this pay openness movement, it appears over the past several decades that pay secrecy practices have been losing favor among U.S. organizations. Specifically, the proportion of companies utilizing pay secrecy policies has declined from 75% in 1985 (Balkin & Gomez-Mejia, 1985) to 36% in 2001 (HRnext.com Survey, 2001) to 23% in 2010 (IWPR/Rockefeller Survey of Economic Security: Lytle, 2014).

These recent efforts arguing for a pay openness culture in the workplace demonstrate that pay communication practices are an important aspect in the organizational setting. This is not surprising as compensation is considered an important job factor by employees (Gerhart & Rynes, 2003; Opsahl & Dunnette, 1966), which influences employee behavior and, in turn, can affect organizational effectiveness (Beer & Gery, 1972; deCarufel, 1986; Lawler, 1981). However, employee compensation is a complex notion since it represents an exchange for work performed (Andersson-Straberg, Sverke, & Hellgren, 2007) or for individual human capital (Lawler, 2000), as well as an achievement or form of recognition (Ackley, 1993; Goodman, 1974; Lawler, 1966, 1971; Lawler & Porter, 1963), an indication of organizational value (Lawler, 1966, 1971), a determinant of social status (Andersson-Straberg et al., 2007), a motivator (Ackley, 1993), an aspect of performance feedback (Lawler, 1965b, 1966), and a self-esteem booster (Goodman, 1974), among other things.

Ironically, even though compensation is widely seen as critical to understanding how employees' respond to their organizations, we know little about employees' reactions to how pay is communicated in organizations. Since the current movement argues for pay openness and many companies have moved towards greater openness regarding pay, it is important to identify whether pay openness practices produce desirable employee and organizational outcomes. This paper provides a description of pay communication practices, as well as a typology, that will be useful for future researchers investigating this phenomenon. Organizational justice theory (informational justice in particular) provides a frame for explaining how pay openness practices influence employee attitudes and behaviors. Pay openness practices are expected to provoke a social exchange perspective among employees, thus resulting in predictable reactions such as organizational citizenship behaviors, perceived organizational support, and organizational commitment. Following the presentation of the theory and the models, several propositions are presented to provoke future research on this important current movement.

### 2. Pay communication

In the early literature, pay communication was merely referred to as pay secrecy, which was regarded as a single "all-or-nothing" concept (e.g., Burroughs, 1982; Colella, Paetzold, Zardhooki, & Wesson, 2007; Lawler, 1965b; Thompson & Pronsky, 1975), with pay openness representing the "nothing" portion. However, pay communication practices (pay secrecy and pay openness) are nowadays viewed as existing along a continuum (Burroughs, 1982; Colella et al., 2007; Lawler & Jenkins, 1992; Patten, 1978) as organizations vary on their usage of pay secrecy policies and the amount of pay information they present to employees (Gomez-Mejia & Balkin, 1992; Milkovich & Newman, 2005). Lawler (1981) first indicated that pay communication "ranges from almost total secrecy ... through complete openness ..." (p. 6); however, it was Burroughs (1982) who demonstrated how organizations may differ in regards to their pay secrecy level by illustrating different pay communication categories (e.g., red, green, yellow, and orange organizations). Building on Burroughs' (1982) research, it has been suggested (and widely accepted) that pay communication approaches occur along a continuum with one extreme representing complete pay secrecy and the other representing complete pay openness, with a variety of pay secrecy and pay openness strategies residing on the continuum between the two extremes (Colella et al., 2007; Lawler & Jenkins, 1992).

Pay communication is the organizational practice that determines if, when, how, and which pay information (such as pay ranges, pay raises, pay averages, individual pay levels, and/or the entire pay structure) is communicated to employees and possibly outsiders. A review of the literature suggests that both of the extremes or pay communication practices (pay secrecy and pay openness) consist of two aspects: organizational restriction and employee restriction. These two characteristics create the typology for pay communication (refer to Fig. 1). Organizational restriction refers to the amount of pay information the employing organization distributes to employees and possibly outsiders on a regular basis (e.g. at specific time intervals, such as yearly) or upon request (e.g., Bamberger & Belogolovsky, 2010; Colella et al., 2007; deCarufel, 1986). Employee restriction refers to the extent to which employees are permitted to discuss their pay information among each other and possibly outsiders, which is usually represented by a formal or informal pay secrecy policy (e.g., Bamberger & Belogolovsky, 2010; Bierman & Gely, 2004; Burroughs, 1982; Colella et al., 2007; Gely & Bierman, 2003; Thompson & Pronsky, 1975).

Pay openness, or pay transparency, is a pay communication practice that (at its most extreme level) allows employees to discuss their pay information with each other and with outsiders (low employee restrictions), and the organization also distributes all pay information to employees and outsiders on a regular basis or upon request (low organizational restrictions). Pay secrecy, or wage secrecy (Danziger & Katz, 1997; Gan, 2002; King, 2003), is a pay communication practice that (at its most extreme level) prohibits the distribution of any pay information by the employing organization (high organizational restriction: Bamburger & Belogolovsky, 2010; Colella et al., 2007; deCarufel, 1986), and forbids employees from discussing their pay information with other organizational members and outsiders (high employee restriction). This type of employee restriction generally involves the adoption of a pay secrecy policy (Bamberger & Belogolovsky, 2010; Burroughs, 1982; Colella et al., 2007; Thompson & Pronsky, 1975), also referred to as pay confidentiality rules (Bierman & Gely, 2004; Gely & Bierman, 2003). In order to promote compliance with a pay secrecy policy, some organizations require employees to sign a pledge stating they will not discuss their pay information with other organizational members, while others take it a step further and enforce this restriction by having disciplinary consequences (such as termination) for those employees who violate the policy (Gomez-Mejia & Balkin, 1992). Generally, a pay secrecy policy is conveyed either verbally, usually during employee orientation or employee meetings, or in writing, such as in employee manuals or handbooks (Bierman & Gely, 2004; Gely & Bierman, 2003).

S. Marasi, R.J. Bennett / Human Resource Management Review xxx (2015) xxx-xxx

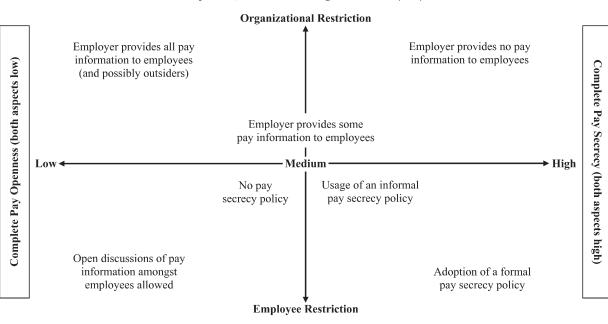


Fig. 1. Pay communication typology.

Despite recent efforts focusing on the importance of pay openness or pay transparency in the workplace, the pay communication literature is scarce and underdeveloped, with only about two dozen employee and organizational outcomes as well as precursory deciding factors being analyzed. Although limited, the previous research has shed some light on pay communication practices' effect on organizational outcomes (e.g., organizational effectiveness: Mulvey, LeBlanc, Heneman, & McInerney, 2002) and employees' attitudes and behaviors, such as job performance and job satisfaction (Futrell & Jenkins, 1978), pay satisfaction (Futrell & Jenkins, 1978; Mulvey et al., 2002), pay allocation distributions (Leventhal, Michaels, & Sanford, 1972; Trahan, Lane, & Dobbins, 1991), task performance and sorting effects (Bamberger & Belogolovsky, 2010; Belogolovsky & Bamberger, 2014). Additionally, pay communication practices can involve all pay dimensions (e.g., pay level, benefits, pay structure, form and basis of pay: Gerhart & Rynes, 2003); however, the majority of the pay communication research has conventionally utilized the pay level dimension (e.g., Lawler, 1965a: Gerhart & Rynes, 2003), with some also including pay structure (e.g., Lawler, 1965b; Milkovich & Anderson, 1972). The reasoning for this may be because employees tend to have a bigger concern for pay level than other pay matters (such as benefits) as it is associated with an employees' decision to quit or to apply with an organization, and it is easily observable for making pay comparisons (Gerhart & Rynes, 2003; Ledford, 2014).

Additionally, there are only a handful of studies analyzing employee preferences and organizational strategies corresponding with pay openness practices. Prior research has shown that some employees and organizations prefer a pay openness culture. For instance, non-managerial employees with a graduate degree (60%) favored pay openness (Schuster & Colletti, 1973). In regards to organizations, low-technology companies were found to be more likely to utilize pay openness practices than high-technology organizations (Tremblay & Chênevert, 2008). Also, organizations with a single-product strategy (not diversified), dynamic growth strategy, or with an organic pattern have been associated with a higher pay openness culture (Balkin & Gomez-Mejia, 1990). Additionally, a pay openness culture has been found to influence employees pay system preference in that employees with more pay knowledge had a greater preference for a merit or performance-based system and a lower preference for a security system with an annual pay increase based on cost-of-living (Beer & Gery, 1972).

### 3. Theory development

The pay openness trend has many wondering why and whether the change is due to the potential outcomes of pay openness being more desirable and organizationally effective than that of pay secrecy. The organizational justice framework (Colquitt, 2001; Colquitt et al., 2001), specifically in regards to pay justice, provides a theoretical rationale for several employee attitudinal and behavioral outcome predictions.

The framework of organizational justice refers to the perceptions of fairness in the workplace and is conceptualized into four dimensions: distributive, procedural, informational, and interpersonal justice (Colquitt, 2001). The organizational justice framework demonstrates that employees care about much more than just perceptions of distribution of outcomes (distributive justice: Adams, 1965), as they are also influenced by the perceived fairness of the distribution process (procedural justice: Leventhal, 1980; Thibaut & Walker, 1975), by the manner in which they are treated (interpersonal justice: Greenberg, 1993), and by the explanation provided to them about why procedures are used in a certain way or why outcomes are distributed in a certain fashion (informational justice: Greenberg, 1993).

#### S. Marasi, R.J. Bennett / Human Resource Management Review xxx (2015) xxx-xxx

According to organizational justice theory, perceptions of justice are essential to the employee–employer relationship. For instance, when justice perceptions are present, employees are more likely to exhibit attitudes and behaviors that are desirable to the employer, such as organizational commitment and trust; whereas, if there are perceptions of injustice, employees are expected to demonstrate unwanted attitudes and behaviors, such as retaliatory actions and employee theft (Colquitt et al., 2001). Additionally, employees have numerous justice perceptions about different workplace factors rather than having only one overall justice perception of the organization. One of the workplace factors on which employees tend to analyze and establish justice perceptions is the compensation or pay aspect, which is referred to as pay justice. This should not be surprising since employees work in exchange for economic gains (such as pay) and, thereby, pay justice is likely to be significant in the employment setting (Greenberg & Lind, 2000).

The organizational justice framework helps describe the importance and potential impact pay communication practices have in the organizational setting in regards to perceptions of pay justice. From an organizational justice standpoint, pay communication practices' probable influence on employee behaviors and attitudes can be explained and supported as reactions to justified or unjustified pay perceptions. Specifically, organizational justice theory explains the effects that pay openness practices may have on diverse outcomes, such as workplace deviance, organizational citizenship behaviors, perceived organizational support, and organizational commitment.

Informational justice seems especially relevant to the study of pay openness practices' effects on employee behavior since it focuses on the explanations offered for why outcomes were distributed in a certain manner. In complete pay openness conditions, all pay information is provided to employees either at certain time intervals or upon request. Organizations utilizing pay openness practices therefore provide pay information about how employees' compensation was derived. Since pay information is consistently provided to employees, pay openness contributes to positive perceptions of informational justice as the employees should perceive themselves to have greater information about the way pay is determined. In support of this proposal, pay openness practices have been found to positively influence perceptions of informational justice (Noy, 2007).

Procedural justice perceptions are also relevant to understanding responses to pay openness practices. When the culture favors pay openness, information about the procedures and processes used to determine pay outcomes are provided to employees. Consequently, increases in information regarding the procedures used to determine pay is likely to escalate perceptions of procedural justice, given the procedures are appropriate and followed (Lind & Tyler, 1988). Leventhal and colleagues (Leventhal, 1980; Leventhal, Karuza, & Fry, 1980) proposed six aspects of procedural justice which are relevant for pay openness (e.g., consistency, accuracy, representation, lack of bias, correctability, and ethicality). For instance, consistent treatment enhances perceptions of procedural justice as does utilizing accurate information in making the decision. In an open pay culture, we would expect compensation to be more consistently based on accurate job analysis and/or merit information since the decisions would be open for review. Leventhal and colleagues (Leventhal, 1980; Leventhal et al., 1980) also proposed freedom from bias and opportunity to appeal to be important aspects of fair procedures, aspects that one would expect to be stronger in open pay scenarios. The final two criteria for fair procedures are that the procedures should conform to prevailing moral or ethical standards and that those affected by pay decisions should have their perspectives taken into account. It is an open question whether or not pay openness practices will be perceived as more ethical/moral, but we would expect that such conditions would be more likely to take employees' perspectives into account.

Also applicable to pay openness practices' influence on employee attitudes and behaviors is distributive justice, which is based on equity theory (Adams, 1965). According to equity theory, individuals compare their own ratio of inputs (e.g., effort, time, education, and experience) to outputs (e.g., pay, recognition, and benefits), as well as compare their ratio to that of a referent other (another individual, usually in a similar position, that may be internal or external of the employer). Following equity theory, when an employee's ratio is balanced or equivalent to the referent other, then the employee will experience a sense of fairness. However, when there is an inequity, the employee will experience an injustice and a drive to balance the ratio or comparison will begin. Employees perceiving an under-reward tend to balance the ratio(s) in several ways: (1) by decreasing their inputs (such as by withdrawing effort), (2) by increasing their outputs (such as by engaging in employee theft), or (3) by changing their referent other to someone who presents a more favorable comparison.

Under pay openness conditions, employees are aware of other employees' (internal referents) pay information. Therefore, accurate comparisons are able to be made since a guessing game of others' pay is not necessary. These accurate comparisons are likely to increase perceptions of distributive justice if the ratios are equitable. Indeed, under pay openness conditions, companies attempt to maintain pay equity since pay information is visible to employees. In support of this notion, previous findings demonstrate that under pay secrecy conditions employees still make pay comparisons (Andrews & Henry, 1963), but the accuracy of pay comparisons is compromised in that managers consistently underestimate superiors' pay, and overestimate subordinates' and peers' pay (Lawler, 1965a,b, 1966, 1967, 1972; Mahoney & Weitzel, 1978; Milkovich & Anderson, 1972). Additionally, these misestimations were manifested two levels above and below the manager with the inaccuracy being more pronounced the further away from the manager's position (Lawler, 1967, 1972; Milkovich & Anderson, 1972), and were also demonstrated with other pay dimensions besides pay level, such as pay raise size and pay raise frequency (Lawler, 1972). In other words, managers believe their subordinates and peers are paid *more* than they actually are and that their bosses are paid *less* than they actually are. Hence, they assume pay compression exists to a greater extent than it does.

#### 4. Proposition development

Following the above arguments, pay openness practices contribute to justice perceptions, specifically for informational justice and procedural justice. Also, pay openness creates justice perceptions for distributive justice when there are equitable pay comparisons. Consequently, we expect certain employee outcomes to be influenced by pay openness practices, but as mediated by employees'

#### S. Marasi, R.J. Bennett / Human Resource Management Review xxx (2015) xxx-xxx

justice perceptions. For instance, pay openness practices may influence employees' engagement in organizational citizenship behaviors and workplace deviance as a reaction to their perceptions of organizational justice (refer to Fig. 2 for the overall model).

Organizations utilizing extreme pay openness practices exhibit positive, open, and selfless behaviors with employees since they are not hiding any information regarding the pay structure and any employee concerns about pay can be addressed. As previously mentioned, this level of openness in the culture is expected to produce favorable perceptions of informational and procedural justice because the employees are provided all pay information and understand the processes used to determine pay outcomes. Therefore, it appears that the organization is treating employees more fairly.

Following social exchange theory, an individual will reciprocate feelings and actions similar to those of the original source, such as an employing organization (Blau, 1964). Additionally, social exchange theory argues that the greater the individual's perception of positive interactions with the original source, the more likely the individual is to believe a continuing relationship is personally beneficial. Therefore, employees experiencing pay openness conditions as well as positive perceptions of informational justice, procedural justice, and distributive justice, are expected to engage in positive and altruistic behaviors that are similar to those being displayed by the organization, such as organizational citizenship behaviors. It is also expected that these positive perceptions of informational, procedural, and distributive justice, created by pay openness practices will decrease employees' engagement in selfish, harmful, and devious acts, such as workplace deviance. Therefore, the following propositions are presented:

**Proposition 1.** Pay openness is positively related to perceptions of organizational justice (a: informational justice; b: procedural justice; c: distributive justice).

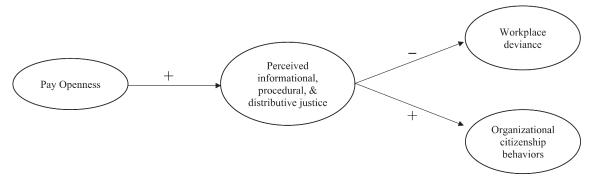
**Proposition 2.** Perceptions of organizational justice (a: informational justice; b: procedural justice; c: distributive justice) mediates the positive relationship between pay openness and organizational citizenship behaviors.

**Proposition 3.** Perceptions of organizational justice (a: informational justice; b: procedural justice; c: distributive justice) mediates the negative relationship between pay openness and workplace deviance.

For the prior propositions it is assumed that under pay openness conditions there is perceived pay equity in that there are no or minor pay discrepancies. However, when there are pay inequities these proposed relationships may be altered. Nevertheless, perceptions of distributive justice, or pay equity, may moderate the relationship between the other two organizational justice dimensions (e.g., informational and procedural justice) and employee behaviors, such as workplace deviance and organizational citizenship behaviors (refer to Fig. 3 for the overall model). This moderated effect may occur when employees in organizations with pay openness practices perceive an under-reward relative to their peers (and possibly subordinates) in internal comparisons. This under-reward, or pay inequity, can be caused by a discrepancy in two things: (1) the outcomes (e.g., receive less pay or recognition) or, (2) the inputs (e.g., contribute more education, time, or effort).

Following equity theory (Adams, 1965), employees experiencing an under-reward will sense injustice and begin to have a desire to balance their ratio or comparison. As previously mentioned, employees attempt to balance the ratio by either decreasing their inputs (e.g., withdrawing effort or not engaging in altruistic behaviors) or increasing their outputs (e.g., participating in employee theft). Therefore, the presence of distributive injustice or pay inequity under pay openness conditions will influence employees to participate in more workplace deviance and less organizational citizenship behaviors to "even the score." Accordingly, we expect distributive justice/pay equity to moderate the relationships between the other two dimensions of organizational justice (e.g., informational and procedural justice) and workplace deviance as well as organizational citizenship behaviors such that when distributive justice (or equity) perceptions are low, perceptions of informational and procedural justice will lead to more workplace deviance and less participation in organizational citizenship behaviors. The following propositions are presented:

**Proposition 4.** Perceptions of distributive justice (pay equity) moderate the relationship between organizational justice (a: informational justice; b: procedural justice) and organizational citizenship behaviors, such that when there are negative distributive justice perceptions there is less participation in organizational citizenship behaviors.



#### Fig. 2. Overall model for Propositions 1–3.

S. Marasi, R.J. Bennett / Human Resource Management Review xxx (2015) xxx-xxx

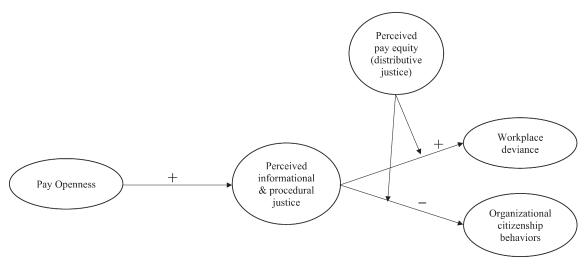


Fig. 3. Overall model of Propositions 4–5.

**Proposition 5.** Perceptions of distributive justice (pay equity) moderate the relationship between organizational justice (a: informational justice; b: procedural justice) and workplace deviance, such that when there are negative distributive justice perceptions there is more participation in workplace deviance.

Additionally, both extreme pay secrecy and extreme pay openness are expected to influence perceived organizational support and organizational commitment (refer to Fig. 4 for the overall model). For instance, perceived organizational support may be negatively influenced by extreme pay secrecy based on the organizational justice framework, specifically in regards to informational justice. Given the previous findings of employees overestimating peers' and subordinates' pay under pay secrecy conditions (Lawler, 1965a,b, 1966, 1967, 1972; Mahoney & Weitzel, 1978; Milkovich & Anderson, 1972), it is expected that employees underestimate their actual value to their organization. Additionally, providing honest and open information about one's value to the organization implies that the organization trusts, respects and values their employees as individuals, which is not present under extreme pay secrecy conditions. Therefore, it is expected that extreme pay secrecy practices negatively influence perceived organizational support.

On the other hand, extreme pay openness conditions may also negatively affect perceived organizational support based on the expectations of privacy in the employer–organization relationship. Many employees feel entitled to privacy regarding sensitive, personal matters in the workplace. Not much is more private or sensitive to many than their rate of pay because of societal and organizational taboos. However, under extreme pay openness conditions all pay information is available, which may be perceived as a breach by employers

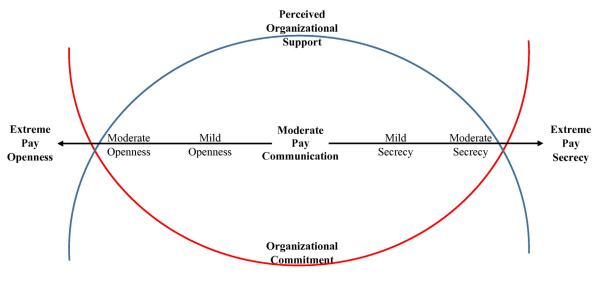


Fig. 4. Overall model for Propositions 6-7.

#### S. Marasi, R.J. Bennett / Human Resource Management Review xxx (2015) xxx-xxx

of employee privacy. Therefore, perceived organizational support may be negatively impacted by extreme pay openness practices because of the perceived breach in employee privacy. Thus, the following proposition is offered:

**Proposition 6.** There is an inverted U-shaped relationship between pay communication (extreme pay openness and extreme pay secrecy) and perceived organizational support, such that a moderate pay communication approach leads to the greatest amount of perceived organizational support.

Organizational commitment is expected to have a similar, but positive relationship with pay communication (extreme pay secrecy and extreme pay openness practices). Following the same arguments for the expectations of the employee–organization relationship, employees expect some privacy in the workplace, which extreme pay secrecy provides to them in regards to their personal pay information. Therefore, based on social exchange theory, employees may feel greater commitment to an organization that respects and protects their privacy and thus, provides commitment to the employees in regards to their privacy concerns.

On the other hand, extreme pay openness may also positively influence organizational commitment because employees infer their organization's trust and commitment from their honest and open communication of pay information. As previously mentioned, social exchange theory argues that individuals will engage in attitudes and behaviors that are similar to those of an original source (Blau, 1964). Social exchange theory also claims that an individual will believe a continuing relationship with the original source (e.g. employing organization) is advantageous and thus, respond in kind (e.g. with commitment and loyalty) when the individual's perception of positive relations with the original source are copious. Therefore, employees experiencing extreme pay openness conditions may feel that the organization is dedicated to them by revealing the pay structure and showing that no major pay discrepancies or inequities exist. Thus, both extreme pay secrecy and extreme pay openness conditions employees will reciprocate the commitment actions of the organization and increase their commitment to the organization. The following propositions are provided:

**Proposition 7.** There is a curvilinear relationship between pay communication (extreme pay openness and extreme pay secrecy) and organizational commitment, such that a moderate pay communication approach leads to the lowest amount of organizational commitment.

### 5. Discussion

This paper provides a much needed conceptualization of the pay communication construct to not only enhance the academic literature, but to also explain the current pay openness movement in the workplace. A description of pay communication, as well as definitions of the two extremes of pay communication practices, pay secrecy and pay openness, are provided. Based on the literature, two different aspects of pay communication were identified, organizational restriction and employee restriction. Based on these two aspects and the two extremes, a typology of pay communication was developed. The typology demonstrates the various types of pay communication practices (e.g., mild pay secrecy and moderate pay openness) that lie between the two extremes. This typology provides clear direction for future scholars in this area by demonstrating the different forms pay communication can take.

A model of pay openness and the anticipated influence on several employee attitudinal and behavioral outcomes that was based on the organizational justice framework was offered. Specifically, informational justice, procedural justice, and distributive justice, as well as social exchange theory and equity theory, provide theoretical support for the propositions. Pay openness is anticipated to enhance perceptions of organizational justice which, in turn, influence workplace deviance and organizational citizenship behaviors. Additionally, negative perceptions of distributive justice (or pay inequity) is expected to moderate the relationship between informational justice or procedural justice and the employee outcomes (e.g., workplace deviance and organizational citizenship behaviors). Arguments were also provided for pay communication practices' (extreme pay openness and extreme pay secrecy) effect on perceived organizational support and organizational commitment. We expect these proposed relationships to help shed light on, and hopefully support, the trend of pay openness in the workplace.

### 5.1. Future research

Although not discussed in the paper, we would like to offer additional future directions since the pay communication research has an extensive amount of growth to undergo to become a notable stream of literature. First, future research should investigate the specifics of pay information being communicated, as well as who is being communicated to and who is doing the communicating. For instance, identifying which aspects of pay that is being communicated to employees is still unexplored, such as whether the information provided contains only pay levels, or whether the pay ranges for the employee's current job or for the whole organization are being provided. Additionally, the question remains as to who the pay information is being communicated. Is the pay information being communicated to employees by managers, the human resources department, or other employees? Another interesting question that remains is how the pay information is being communicated. Are employees given pay information verbally, through emails, or is it on the company's website? All of these topics remain a mystery to scholars and the literature.

Additionally, future research efforts would benefit by the development of a definitive pay communication (pay secrecy and pay openness) scale by making it easier to identify multiple levels of pay communication practices. The majority of past research has only examined one or two basic forms of pay communication practices (e.g., complete pay secrecy and complete pay openness), which is mainly due to research being conducted in a specific organizational setting with the pay communication approach existing

#### S. Marasi, R.J. Bennett / Human Resource Management Review xxx (2015) xxx-xxx

in the organization being the one studied or by utilizing an experiment where the pay communication approach is manipulated. Several scholars have created a measure of pay communication specifically for their studies (e.g., Beer & Gery, 1972; Day, 2006; Cloutier & Vilhuber, 2008; Mulvey et al., 2002; Noy, 2007; Tremblay & Chênevert, 2008); however, these assessments have not been properly developed, fully validated, or extended to additional studies (most likely due to the wording of items being very specific and not pertaining to a variety of organizations or occupations). Therefore, a fully substantiated measure that encompasses all facets of pay communication will allow the data to extend to all levels of pay secrecy and pay openness on the continuum, rather than only on one or two specific levels of pay communication.

Identifying organizational practices and strategies as well as business types that impact the pay communication approach chosen for the organization is another future avenue. For instance, organizational factors such as organizational size, for-profit versus non-profit status, franchise chain versus company operated, labor union existence, retail versus service industry, and hierarchical structure may influence the extent to which pay secrecy or pay openness is utilized in the organization.

#### References

Ackley, D. (1993). What to say about pay. Compensation and Benefits Review, 25(1), 18-21.

Adams, J. S. (1965). Inequity in social exchange. In L. Berkowitz (Ed.), Advances in experimental psychology, 2. (pp. 267–299). New York, NY: Academic Press. Andersson-Straberg, T., Sverke, M., & Hellgren, J. (2007). Perceptions of justice in connection with individualized pay setting. Economic and Industrial Democracy, 28(3), 431–464.

Andrews, I. R., & Henry, M. M. (1963). Management attitudes toward pay. Industrial Relations, 3(1), 29-39.

Bacharach, S. (2012, July 24). Why you should say what you pay employees. Inc. Retrieved from http://www.inc.com/samuel-bacharach/why-you-should-revealhow-much-you-pay.html

Balkin, D. B., & Gomez-Mejia, L. R. (1985). Compensation practices in high-technology industries. Personnel Administrator, 30(6), 111–123.

Balkin, D. B., & Gomez-Mejia, L. R. (1990). Matching compensation and organizational strategies. Strategic Management Journal, 11(2), 153-169.

Bamberger, P., & Belogolovsky, E. (2010). The impact of pay secrecy on individual task performance. *Personnel Psychology*, 63(4), 965–996.

Beer, M., & Gery, G. J. (1972). Individual and organizational correlates of pay system preferences. In H. L. Tosi, R. J. House, & M. D. Dunnette (Eds.), Managerial motivation and compensation: A selection of readings (pp. 325–349). East Lansing, MI: Michigan State University Business Studies.

Belogolovsky, E., & Bamberger, P. A. (2014). Signaling in secret: Pay for performance and the incentive and sorting effects of pay secrecy. Academy of Management Journal, 57(6), 1706–1733.

Bierman, L, & Gely, R. (2004). Love, sex and politics? Sure. Salary? No way: Workplace social norms and the law. *Berkley Journal of Law and Employment*, 25, 167–191. Blau, P. M. (1964). *Exchange and power in social life*. New York, NY: John Wiley & Sons.

Burroughs, J. D. (1982). Pay secrecy and performance: The psychological research. Compensation Review, 14(3), 44–54.

Cloutier, J., & Vilhuber, L. (2008). Procedural justice criteria in salary determination. Journal of Managerial Psychology, 23(6), 713–740.

Colella, A., Paetzold, R. L., Zardkoohi, A., & Wesson, M. J. (2007). Exposing pay secrecy. Academy of Management Review, 32(1), 55-71.

Colquitt, J. A. (2001). On the dimensionality of organizational justice: A construct validation of a measure. Journal of Applied Psychology, 86(3), 386-400.

Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O., & Ng, K. Y. (2001). Justice at the millennium: A meta-analytic review of 25 years of organizational justice

research. Journal of Applied Psychology, 86(3), 425–445. Danziger, L, & Katz, E. (1997). Wage secrecy as a social convention. Economic Inquiry, 35, 59–69.

Day, N. E. (2006). An investigation into pay communication: Is ignorance bliss? *Personnel Review*, 36(5), 739–762.

deCarufel, A. (1986). Pay secrecy, social comparison, and relative deprivation in organizations. In J. M. Olson, C. P. Herman, & M. P. Zanna (Eds.), *Relative deprivation and* 

social comparison: The Ontario symposium (pp. 181–199). Hillsdale, NJ: Lawrence Erlbaum Associates.

Futrell, C. M., & Jenkins, O. C. (1978). Pay secrecy versus pay disclosure for salesman: A longitudinal study. Journal of Marketing Research, 15, 214–219.

Gan, L. (2002). The uncertain wage-effort hypothesis and wage secrecy. *Topics in Economic Analysis & Policy*, 2(1).

Gely, R., & Bierman, L. (2003). Pay secrecy/confidentiality rules and the National Labor Relations Act. Journal of Labor and Employment Law, 6, 120–156.

Gerhart, B., & Rynes, S. L. (2003). Compensation: Theory, evidence, and strategic implications. Thousand Oaks, CA: Sage.

Gomez-Mejia, L. R., & Balkin, D. B. (1992). Compensation, organizational strategy, and firm performance. Cincinnati, OH: South-Western Publishing Co.

Goodman, P. S. (1974). An examination of referents used in the evaluation of pay. Organizational Behavior and Human Performance, 12, 170–195.

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

Greenberg, J., & Lind, E. A. (2000). The pursuit of organizational justice: From conceptualization to implication to application. In C. L. Cooper, & E. A. Locke (Eds.), Industrial and organizational psychology (pp. 72–100). Oxford: Blakwell.

Hrnext. com (2001, March 15). More employers ducking pay confidentiality issue—Hrnext.com survey shows many employers view issue as hot potato. Retrieved September 30, 2011, from http://hr.blr.com/whitepapers/HR-Administration/Employee-Privacy/More-Employers-Ducking-Pay-Confidentiality-Issue/

King, N. J. (2003). Labor law for managers of non-union employees in traditional and cyber workplaces. American Business Law Journal, 40(4), 827–883.

Lawler, E. E., III (1965a). Managers' perceptions of their subordinates' pay and of their superiors' pay. Personnel Psychology, 18(4), 413-422.

Lawler, E. E., III (1965b). Should managers' compensation be kept under wraps? *Personnel*, 42(1), 17–20.

Lawler, E. E., III (1966). The mythology of management compensation. California Management Review, 9(1), 11-22.

Lawler, E. E., III (1967). Secrecy about management compensation: Are there hidden costs? Organizational Behavior and Human Performance, 2, 182–189.

Lawler, E. E., III (1971). Pay and organizational effectiveness: A psychological view. New York, NY: McGraw-Hill.

Lawler, E. E., III (1972). Secrecy and the need to know. In H. L. Tosi (Eds.), Managerial motivation and compensation (pp. 455–475). East Lansing: Graduate School of Business Administration, Michigan State University.

Lawler, E. E., III (1981). Pay and organization development. Reading, MA: Addison-Wesley Publishing Company.

Lawler, E. E., III (2000). Rewarding excellence: Pay strategies for the new economy. San Francisco, CA: Jossey-Bass, Inc.

Lawler, E. E., III, & Jenkins, G. D. (1992). Strategic reward systems. In M. D. Dunnette, & L. M. Hough (Eds.), Handbook of industrial and organizational psychology (pp. 1009–1055) (3rd ed.). Palo Alto, CA: Counseling Psychologists Press.

Lawler, E. E., III, & Porter, L. W. (1963). Perceptions regarding management compensation. Industrial Relations, 3, 41–49.

Ledford, G. E., Jr. (2014). The changing landscape of employee rewards: Observations and prescriptions. Organizational Dynamics, 43, 168–179.

Leventhal, G. S. (1980). What should be done with equity theory? New approaches to the study of fairness in social relationships. In K. Gergen, M. Greenberg, & R. Willis (Eds.), Social exchange: Advances in theory and research (pp. 27–55). New York, NY: Plenum Press.

Leventhal, G. S., Karuza, J., & Fry, W. R. (1980). Beyond fairness: A theory of allocation preferences. In G. Mikuyla (Ed.), *Justice and social interaction* (pp. 167–218). New York, NY: Springer-Verlag.

Leventhal, G. S., Michaels, J. W., & Sanford, C. (1972). Inequity and interpersonal conflict: Reward allocation and secrecy about reward as methods of preventing conflict. *Journal of Personality and Social Psychology*, 23(1), 88–102.

Lind, E. A., & Tyler, T. R. (1988). The social psychology of procedural justice. New York: Plenum.

Lytle, T. (2014, September). Making pay public. HR Magazine, pp. 25-30.

Mahoney, T. A., & Weitzel, W. (1978). Secrecy and managerial compensation. Industrial Relations, 17(2), 245–251.

S. Marasi, R.J. Bennett / Human Resource Management Review xxx (2015) xxx-xxx

- Milkovich, G. T., & Anderson, P. H. (1972). Management compensation and secrecy policies. *Personnel Psychology*, 25, 293–302.
- Milkovich, G. T., & Newman, J. M. (2005). Compensation (8th ed.). Boston, MA: McGraw-Hill Irwin.
- Mulvey, P. W., LeBlanc, P. V., Heneman, R. L., & McInerney, M. (2002). Study finds that knowledge of pay process can beat out amount of pay in employee retention, organizational effectiveness. Journal of Organizational Excellence, 21(4), 29–42.
- Noy, L (2007). Development of a measure of organizational pay secrecy. (Unpublished doctoral dissertation). Los Angeles: Alliant International University.
- Opsahl, R. L., & Dunnette, M. D. (1966). The role of financial compensation in industrial motivation. Psychological Bulletin, 66(2), 94–118.
- Patten, T. H. (1978). Open communication systems and effective salary administration. Human Resource Management, 17(4), 5–14.
- Schuster, J. R., & Colletti, J. A. (1973). Pay secrecy: Who is for and against it? Academy of Management Journal, 16, 35-40.
- Thibaut, J., & Walker, L. (1975). Procedural justice: A psychological analysis. Hillsdale, NJ: Erlbaum.
- Thompson, P. T., & Pronsky, J. (1975). Secrecy or disclosure in management compensation. Business Horizons, 18(3), 67–74.
- Trahan, W. A., Lane, I. M., & Dobbins, G. H. (1991). Organizational determinants of managerial pay allocation decisions. *The Journal of Social Psychology*, 13(1), 93–106.
  Tremblay, M., & Chênevert, D. (2008). Influence of compensation strategies in Canadian technology-intensive firms on organizational and human resources performance. *Group & Organization Management*, 33(3), 269–302.