Knowing What Your Boss Earns Can Absolutely Motivate You

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Employees rely on salary information in several ways. Employees may need the information to negotiate raises or to compare positions or employers. However, most employers provide limited information about salaries. As a result, employees' knowledge of salaries depends largely on their ability to communicate with each other.

According to a research by Zoe Cullen "Knowing what your co-worker earns can make you less productive, but knowing your manager's paycheck can motivate you to work harder". Knowing that your co-worker earns more than you can decrease your job performance while increasing the likelihood of you searching for a new job.

Many organisations do not have pay transparency policy. Many surveys corroborate this pattern of pay secrecy around the world. A 2003 survey of Fortune-1,000 firms shows that only 3.5% of the surveyed firms had open salary policies (Lawler, 2003). A survey of about 1,000 companies indicates that only 3% have open salary policies and less than a quarter disclose data on salary ranges (Scott, 2003). A survey of 7,100 managers from the United States and other countries indicates that only 6% have open salary policies (PayScale, 2018). Indeed, the standard employment contract at this firm explicitly prohibits employees from sharing salary information. Many organizations around the world have similar policies (Day, 2007). In a survey of private-sector employees from the United States, for example, more than 60% report that their employer discourages or prohibits employees from discussing salaries with coworkers (Hegewisch et al., 2011).

Some employees seem to desire more income transparency. According to a survey by Zoe Cullen, 65% of respondents report that they would be better off if the bank disclosed information on average salaries by position, and only 20.5% think that they would be worse off. This is also a common finding in other firms and countries. A survey of employees from eight developed countries, for example, shows that most employees wish their employers were more transparent about pay (Glassdoor, 2016).

Cullen and Perez-Truglia conducted the field experiment with 2,060 workers at a large, multibillion-dollar commercial bank with thousands of employees on the effects of salary comparisons. From their study, they found out that employees worked harder after discovering how much their managers made. For every 1% higher in the perceived salary of a manager, employees clocked 0.15% more hours.

But the employees' extra effort diminished as the difference in rank between employee and manager widened. In some cases, "We were looking at how employees responded to managers who were five promotions away and who they explicitly thought were in positions they themselves would never achieve," Cullen says. In those cases, the work-harder reaction was much smaller but did not become negative.

While knowledge of managerial compensation seemed to coax more effort out of workers, the exact opposite happened when employees learned what peers were making. For every 1% higher salary a co-worker earned over the employee's expectation, they worked 0.94%fewer hours.

In a global environment where companies are scrambling to find qualified workers to fill vacancies, another important finding emerged. When an employee learned a co-worker's salary was 1% higher than estimated, chances rose by 0.225% that they would leave the company.

(Cullen and Perez-Truglia, 2019) also made other discoveries as well which might have something to do about wage inequality and widening pay gaps in corporations. The findings are:

- Female employees may be able to tolerate being paid less than male employees as long as the male employees hold a different position.
- Social forces may not be as effective as a thought in moderating pay inequality within companies.
- Transparency policies, such as disclosure of CEO pay, "may be less effective at curbing inequality than previously thought."

Pay transparency helps all employees in the organization. Openness and honesty about pay and how pay is determined can help employees to set and achieve their goals. Negus-Fancey describes, "People have a lot more clarity about how they can move up in the organization, horizontally or vertically, and that is going to help them think more intelligently about their career and gives them the power they haven't had before. As a result of pay transparency, we've all been spending much more time thinking about career development and how we can help people understand the different skills they need to acquire to operate on a different level in the organization." By offering clear, objective data on how to advance in their organization, employees are motivated to succeed.

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