

# 3 Reasons to Adopt a Pay Transparency Mindset in Your Organization



AUTHOR: JONATHAN BEST



It's natural to be a little hesitant when adopting something as radical as pay transparency. Not only are you inviting your employees (and often the outside world) to scrutinize payment and rewards decisions, but you are also changing the way your business operates.

Don't let that put you off, though. If you're on the fence about increasing pay transparency in your organization, these three reasons will convince you to take the plunge.



## Pay Transparency Increases Equity

A policy of pay transparency can all but eliminate the pay gaps like those between men and women and white and minority employees. That's according to research by PayScale that found initiatives like showing how wages are set, raises are decided, and bonuses awarded significantly reduce unconscious bias.

"This latest research shows just how powerful transparent pay practices can be for organizations," says former PayScale CEO [Scott Torrey](#), now executive chairman at cash flow performance platform Tesorio. "When employers use real market data and talk openly with employees about their pay, it serves to challenge the underlying bias that can impact decisions about compensation. Most employers want to ensure they're paying fairly, so we encourage HR departments and senior leaders to adopt transparent pay practices as an important step toward achieving this goal."

Many adopters and proponents of pay transparency support this claim. [Hailley Griffis](#), head of communications at Buffer—a software company famed for pay transparency—writes that the company's unadjusted pay gap is just 0.41 percent. That's despite having 46 people who identify as men on the staff compared to 37 people who identify as women.

Entrepreneur [Dane Atkinson](#), CEO at small business platform Odeko, puts it this way: "Salary transparency is the single best protection against gender bias, racial bias or orientation bias." It's not just a case of identifying and eliminating instances of bias, though. Pay transparency also empowers employees to confront managers when pay seems unfair, says Atkinson. This empowerment can't happen under the traditional, secrecy-based model, because employees don't know how much their colleagues make.



## Pay Transparency Attracts Better Candidates and Culture Fits

Companies often adopt a policy of pay transparency to create a diverse and inclusive culture. Not only does it achieve this culture, but pay transparency also makes it much easier to recruit employees who fit that culture, too.

That's because candidates who care about diversity and inclusion are drawn to companies with clear policies that demonstrate a commitment to equity. In many ways, a policy of pay transparency helps candidates self-select. Those who don't prize these attributes won't bother to apply. Those who do place a premium on them will apply in droves and stay.

That's been the experience of the team at Less Annoying CRM, according to company partner and Head of Business Development, [Alex Haimann](#). "Is this a good thing? We think so, and since implementing the policy, only three employees have left Less Annoying CRM," he writes. "We've also found it easier to find and interview candidates for open positions. In a labor market as tight as this one, companies looking for top talent often have to get creative to stand out, yet only 17% of private companies practice pay transparency."







## Pay Transparency Improves Employee Performance

Employees are empowered by a transparent pay policy and work harder because of it. Specifically, it makes it easy for them to set and achieve career goals, says [Callum Negus-Fancey](#), founder and CEO at Pollen (formerly Verve), a UK tech firm that implemented pay transparency in 2018.

“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 give them power they haven’t had before,” Negus-Fancey explains. “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.”

The link between pay transparency and employee performance has long been established. Research published in the [Academy of Management Journal](#) in 2014 found that employees work harder when they know they are paid fairly. They are more inclined to meet their goals and prove that they are worth their salary and rewards. On the flip side, employees are more likely to underperform when pay is kept secret. If employees suspect they aren’t being rewarded fairly, they won’t put the effort in.

The progressive and moral arguments for pay transparency are overwhelming. But it’s important to remember there is a very valid business case, too. On top of creating a more equitable and diverse company, pay transparency will also help you more easily hire the most desirable talent while encouraging everyone at the company to work harder, perform better and stay longer.