Effects of Pay Transparency on Application Intentions through Justice Perceptions and Organizational Attractiveness

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INTRO
5 The topic of the pay gap and financial inequity has resurfaced in the wake of the MeToo and Women’s March. Moreover, anecdotes involving an employee overhearing their peers’ salaries—and realizing how underpaid they are in comparison—have become commonplace.

5 The objective was to identify positive effects of a company openly advertising its pay transparency policy to potential applicants. Specifically we believed that pay transparency could lead to favorable applicant impressions of the company’s brand, values, and priorities. 

METHODS
5 Data were collected online using a single survey on the Prolific platform. Participants (N = 117; 43% male, 57% female) were required to be at least 18 years old and be of United States nationality.

5 Two manipulation scenarios:
   1. Company X is adopting pay transparency.
   2. Company X treats each employee’s salary as private information.

RESULTS
5 Pay transparency influences intent to apply through increased perceptions of fairness and organizational attractiveness.

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IMPLICATIONS & FUTURE WORK
5 Pay transparency results in generally favorable attitudes toward the company in this sample.

5 It is noteworthy that preference for pay transparency over secrecy accounted for 38%, 45%, and 27% of the variability in: (a) fairness perceptions, (b) attraction to the organization, and (c) intent to apply respectively.

5 We recommend companies to broadcast pay transparency policies in their recruitment ads.

REFERENCES


