

EXPOSING PAY SECRECY

ADRIENNE COLELLA
Tulane University

RAMONA L. PAETZOLD
ASGHAR ZARDKOOHI
MICHAEL J. WESSON
Texas A&M University

Pay secrecy is a contentious issue in many organizations and a controversial one in our society. However, there has been little scholarly research on this topic. We hope to address this void by exposing the complexity of pay secrecy as a construct. What are its costs and benefits? What factors affect the link between pay secrecy and the extent to which it is a cost or benefit? This article reveals the complexity of pay secrecy and, we hope, generates ideas for much new research in the broad management field.

Pay secrecy in organizations is a contentious issue and has been for a long time. Take, for example, the following memoranda that were exchanged in October of 1919:

**POLICY MEMORANDUM (October 14, 1919)
Forbidding Discussion among Employees of
Salary Received**

It has been the policy of the organization to base salaries on the value of services rendered. We have, therefore, a long established rule that the salary question is a confidential matter between the organization and the individual.

It is obviously important that employees live up to this rule in order to avoid invidious comparison and dissatisfaction. Recently several cases have come to the notice of management where employees have discussed the salary question among themselves.

This memorandum should serve as a warning that anyone who breaks this rule in the future will be instantly discharged.

**POLICY MEMORANDUM (October 15, 1919)
Concerning the Forbidding of Discussion
among Employees**

We emphatically resent both the policy and working of your policy memorandum of October 14. We resent being told what we may and what we may not discuss, and we protest against the spirit of petty regulation which has made possible the sending out of such an edict (Robert Benchley, cited in Steele, 1975: 102-103).

The authors of the second memorandum then walked around the office with signs stating their salaries hanging from their necks, leading the organization to give up its pay secrecy policy. This anecdote describes the managerial viewpoint toward pay at a magazine where humorist Robert Benchley worked in 1919. Although Benchley and his coworkers chose a witty manner in which to voice their discontent with the magazine's pay secrecy policy, one perhaps different from how you or we would have chosen to respond, pay secrecy itself remains a serious, contentious issue in organizations today.

For example, Mary Craig, an assistant cook for an Ohio nursing home, was fired in 1997 after discussing her pay with her coworkers. Although the nursing home had told her never to discuss pay so as to avoid "hard feelings" among employees, she violated the mandate after listening to other workers' complaints of being shortchanged on overtime or not receiving a promised raise. A federal appellate court affirmed the National Labor Relations Board's (NLRB) determination that the nursing home had to reinstate her with back wages (*NLRB v. Main Street Terrace Center*, 2000).

Intuition tells us that there must be detriments flowing from pay secrecy. What is the big deal about how pay is distributed if we are not supposed to know about it? Why is our organization treating us as though we cannot handle knowledge of others' pay? What if our pay reflects illegal discrimination? And, if we cannot deter-

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mine what pay levels are possible, wouldn't pay secrecy actually demotivate us so that our performance levels would be expected to drop?

In fact, the limited empirical research has shown that pay secrecy leads to employee dissatisfaction and low motivation (e.g., Burroughs, 1982; Futrell & Jenkins, 1978). In the scanty compensation literature addressing pay secrecy, researchers argue, in general, that pay secrecy is bad for organizations, also demonstrating lowered motivation (Bartol & Martin, 1988; Lawler, 1965a,b, 1967; Leventhal, Karuza, & Fry, 1980; Milkovich & Anderson, 1972). Thus, the state of empirical knowledge continues to suggest that pay secrecy is negative for both individuals and organizations. Further, evidence of the negative effects of pay secrecy include its being viewed as a way for organizations to hide pay discrimination. In fact, England recently passed legislation permitting employees who suspect pay discrimination to request detailed pay information from their supervisors (BBC News, 2004), suggesting a growing awareness that pay secrecy may be costly to society by covering discriminatory practices.

However, current attitudes and practices suggest that there may be beneficial aspects to pay secrecy. First, surveys asking how people feel about pay secrecy indicate that the majority of U.S. workers are in favor of it (*Hrnext.com Survey*, 2001; Walsh, 2000). Furthermore, many organizations seem to employ some form of pay secrecy. Employer surveys (Balkin & Gomez-Mejia, 1985; *Hrnext.com Survey*, 2001) and anecdotal data (e.g., Pappu, 2001; Walsh, 2000) indicate that some form of pay secrecy is prevalent in many organizations, despite its potential illegality (e.g., Fredricksburg Glass and Mirror, 1997; *NLRB v. Main Terrace Center*, 2000). This evidence seems to suggest that individual employees and many organizations find pay secrecy useful and desirable.

Thus, although the academic research of the 1960s and 1970s (e.g., Futrell & Jenkins, 1978; Lawler, 1965a,b, 1967; Milkovich & Anderson, 1972) seems to leave us with one view of pay secrecy—that it presents costs to organizations because, among other things, individual employees should not want it—there has been no scholarly investigation that we are aware of since then to determine whether there may also be benefits to organizations. No organizational scholars have investigated how individual de-

mands and organizational practices can continue to be at such odds with this dated academic knowledge.

In this article we discuss the apparently contradictory positions about pay secrecy and argue that there is no simple answer to the question of whether pay secrecy is beneficial or detrimental to individuals and organizations. Instead, we posit that the effects of pay secrecy depend on a variety of factors that render it sometimes valuable or of benefit to employers and employees and other times costly. Throughout the course of our discussion, we examine arguments based on management, economics, psychology, and cultural perspectives to look at the role of pay secrecy in our lives and to suggest avenues for further study. Our ultimate goal is to reopen the discussion of pay secrecy in organizations so that new empirical work in this area can be generated. We first turn to a definition of pay secrecy.

WHAT IS PAY SECRECY?

Although there is no one definition of pay secrecy, it can simply be viewed as a restriction of the amount of information employees are provided about what others are paid. In practice, however, pay secrecy can become quite complex. First, there is the issue of availability of information. An employer may keep pay information secret by never providing for its publication or release. Second, the employer may restrict the type of pay information made available. For example, it may choose to provide certain aggregate information about pay, such as pay ranges and/or average pay raises, but fail to give precise individual-level information about employees. Third, the employer may restrict the manner in which pay information is disseminated. For example, the employer may encourage strong norms against discussing pay, even if pay information is technically publicly available. In this case the employer may actually threaten to impose heavy sanctions against employees who disclose pay or engage in discussions about it.

The traditional venue for discussions of pay—the compensation literature—identifies several dimensions of pay: pay level, pay structure, the basis for pay, and the form of pay (see Gerhart & Rynes, 2003). Although pay secrecy can range across these various dimensions, the traditional

focus has been on pay level itself (i.e., the average pay across jobs; Gerhart & Rynes, 2003). Because we are interested in advancing the discussion about pay secrecy as a general construct, and because we also do not want to limit ourselves to a micro human resource (HR) focus but intend, rather, to write for a much broader audience, we focus on pay-level discussions and avoid the complexities of compensation systems. In other words, when we speak of pay secrecy, we are talking about the lack of information that employees have about the level of other employees' pay in the organization.

Although much prior research has conceptualized pay secrecy as all-or-nothing, we argue that it is best understood along a continuum. Thus, for us, pay secrecy is conceptualized as representing the amount of information about pay available to employees. Burroughs (1982) was the first to hint at such a continuum when he referred to examples of how different organizations could have varying levels of pay secrecy, with the most secret anchor being represented by organizations in which no information is provided to employees other than their own pay and salary increase. The least secret (or most open) anchor reflects organizations where information about specific pay levels and increases for individuals is made available to all employees. We base our view on Burroughs'. In addition, we assume that any costs and benefits of pay secrecy become more extreme as pay becomes more secret.

Finally, we assume throughout that organizations are making good faith efforts to provide equitable compensation and that compensation accurately reflects an individual's contribution to the organization, however that is determined. Because equity is ultimately in the eye of the beholder, we recognize that employees' views on whether they receive pay that is fair may deviate from those of the organization. Thus, our discussion of pay secrecy will rely heavily on the perceptions it creates in the minds of employees.

WHY IS PAY SECRECY INTERESTING?

Based on earlier discussion, we find pay secrecy interesting because it obviously has the potential to apply to many people across jobs, organizations, and industries (Balkin & Gomez-Mejia, 1985; *Hrnext.com Survey*, 2001). Since pay

secrecy reflects a lack of information, one way of conceptualizing pay secrecy is in terms of pay uncertainty. Humans are generally motivated to reduce uncertainty or the discomfort that arises from it (Lind & van den Bos, 2002) and, thus, can be expected to engage in a variety of behaviors as a means of eliminating, reducing, or otherwise coping with pay uncertainty. In particular, a host of cognitive biases in information processing are known to result when judgments must be made under uncertainty (Kahneman & Tversky, 1973). Thus, the possible breadth of application of pay secrecy policies immediately raises controversial issues about the extent to which U.S. employees are making less than optimal decisions about jobs and career choices and what the impact might be on American society. Although the answer to such a question is beyond the scope of this article, the very nature of this consideration enhances our interest in thinking about pay secrecy.

Additionally, part of the fascinating character of this topic stems from the fact that it is not a new concern but, rather, one of continuing debate without many insights over the years. For example, pay secrecy was a major difficulty around the time of the passage of the National Labor Relations Act ([NLRA], 1935), because it was determined to interfere with the attempts of employees to unionize. Because information about pay is so critical to employee behaviors and decision making, the NLRA continues to make enforced pay secrecy illegal in order to promote maximal employee information about their job circumstances and workplace fairness (Bierman & Gely, 2004; Gely & Bierman, 2003). Given this historical background, we would have expected two things. First, its sheer illegality should have deterred employers from using pay secrecy over the period since the initial enforcement of the NLRA. Quite to the contrary, many employers willingly announce and promote their pay secrecy policies. For example, a survey of U.S. employers found that 36 percent of respondents indicated their companies prohibited discussion of pay (*Hrnext.com Survey*, 2001). Second, the controversial nature of this topic should have promoted extensive research in this area to build a nomological network of understanding about the costs and benefits of pay secrecy for individuals, organizations, and even society. No such comprehensive course of study exists.

Pay secrecy also seems to reflect current social or cultural values that are expressed or facilitated through its practice. One key value is that of privacy. Today, privacy concerns are reawakening, as evidenced by relatively new legislation or new awareness of older legislation (such as the Family Educational Rights and Privacy Act [FERPA], 1974, and the Health Insurance Portability and Accountability Act [HIPAA], 1996), as well as public outrage about technologically possible behaviors, such as identity theft. Pay secrecy promotes the notion that our own pay should be kept private—that *we, not the employer*, should have the right to determine whether to disclose our pay and to whom. Thus, its social and personal salience appears to be grounded in the general resurgence of privacy concerns that are part of our evolving world.

One final, but not less important, aspect of pay secrecy that renders it interesting to us is the fact that it might well be a culturally bound construct. Investigations of collectivist and individualist societies (Triandis, 1989) have indicated that Western cultures and economies reflect autonomous, individualistic goals and values, whereas Eastern cultures and economies tend to reflect collectivistic, group-based goals and values. Thus, pay secrecy may not be as controversial an issue in an Eastern culture. There, the tendency would be toward values that favor the collective (Triandis, 1989, 1994). Moreover, members of the collective typically are not truly recognized as "others" completely distinct from the self, causing the very notion of "others' pay" and "referent others for comparison" to be ill-defined. In addition, the collectivist's sense of trust in the group or organization might be expected to accompany lack of concern for what people other than oneself are making in the workplace. The interdependence that accompanies collectivism further suggests that a view of "what is good for one of us is good for all of us" would also tend to dominate and render pay secrecy less controversial (Markus & Kitayama, 1991). Finally, individuals in collectivist cultures typically do not want to stand out from the group or compete with others in the group; pay secrecy would allow this to flourish. Thus, pay secrecy may always be positive in an Eastern culture.

In contrast, in Western cultures, individuals engage in self-construal that tends not to include general "other in self" enhancements (at

least outside of close partners and friends; Mashek, Aron, & Boncimino, 2003). Thus, each individual in the workplace is seen as fairly autonomous and a competitor for resources. Independence instead of interdependence is associated with individualistic societies, implying that each person's welfare depends on his or her own efforts and rewards. Pay secrecy reflects values emanating from this type of culture, and it is both supported and promoted by more capitalistic societies that promote individual competitiveness (Markus & Kitayama, 1991). It may only be within Western culture that pay secrecy can produce the costs that are associated with it.

WHAT ARE THE COSTS AND BENEFITS OF PAY SECRECY?

Before turning to the focus of our article—that the costs and benefits of pay secrecy depend on a variety of previously undiscussed factors—it is essential to first lay out the costs and benefits themselves. In this section we first review the apparent costs of pay secrecy before turning to a discussion of the benefits. Perhaps surprisingly, some aspects of pay secrecy can turn out to be both costs and benefits, as we will show. Further, factors adding an even greater level of complexity will be addressed in the next section of the paper. For now, we try to elucidate the major costs and benefits as seen by researchers and practitioners.

Costs

There are at least three major costs to pay secrecy, according to research scholars (who continue to challenge the use of pay secrecy by organizations). First, employee judgments about fairness and their perceptions of trust may be sacrificed. Second, employee performance motivation can be expected to decrease. Third, from an economics perspective, the labor market may be less efficient because employees will not move to their highest valued use. This would mean that organizations are not obtaining the best employees for the jobs. Why, and from where, would these costs occur?

Pay secrecy is about lack of information, thus producing uncertainty for employees and an asymmetrical information status between employees and the organization. Based on this lack of information, employees may *infer* that pay

outcomes and procedures for distributions are unfair, even when the organization is making a good faith effort to provide equitable compensation based on individual contributions. (Recall that this was an underlying assumption we made earlier.)

One reason this might occur is because the uncertainty of not knowing where employees stand with respect to others and the extent to which their contributions are valid may lead to general anxiety about workplace worth. According to recent work in the organizational justice literature on uncertainty management theory (Lind & van den Bos, 2002), increased uncertainty enhances the degree to which people care about fairness, because apparent fairness is one way of coping with the anxiety generated by uncertainty. When the environment is uncertain, people are able to gain some degree of predictability of their future treatment by looking at how fairly they recently have been or now are being treated. When treated fairly, people can develop trust and reduce their fears of being exploited in the future. When treated unfairly, however, they may take a defensive stance in an attempt to avoid exploitation. Thus, *ceteris paribus*, employees who are faced with pay secrecy should be more concerned about whether their pay is fair than employees who are in positions where pay information is open. As a result, they may be more vigilant about the extent to which pay and pay determination processes are fair, and this becomes a cost when fairness judgments are negative.

Unfortunately, under high levels of pay secrecy, judgments can be expected to be negative for all three general types of fairness judgments: informational, procedural, and distributive (Bies & Moag, 1986; Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Leventhal, 1976; Thibaut & Walker, 1975). Obviously, judgments about informational fairness can be expected to be negative because information is being withheld. Judgments about procedural fairness can be expected to be negative because, for example, the lack of information restricts employee voice, permits inferences of bias, and suggests that decision making about pay may be done without accurate information. These deficits violate the known requirements for procedural justice to be perceived (Leventhal et al., 1980; Thibaut & Walker, 1975).

Distributive fairness judgments can be expected to be negative for two major reasons. First, inaccurate estimates about what referent others (Dornstein, 1989) are being paid can be expected owing to the lack of information about pay. Lawler's seminal research (1965a,b) indicated that, in the absence of individual pay information, managers overestimated the salaries of other managers at their own and lower levels and underestimated the salaries of managers at higher organizational levels. (In other words, they tended to compress the pay range.) The fact that those at lower levels of the organization were perceived as having higher pay than was actually the case would lead to judgments of distributive unfairness, because they would arguably be making lesser contributions to the organization than was commensurate with their perceived pay.

Second, fairness heuristic theory (Lind, 2001) states that people are likely to base specific fairness judgments on their general impression of organizational fairness in the absence of other information. Thus, in the absence of information about pay, distributive fairness concerning pay level cannot be known, and judgments about it will be inferred based on judgments about other aspects of fairness. If procedural and informational fairness judgments are negative, as indicated above, then distributive fairness judgments should be negative as well (van den Bos, Lind, Vermunt, & Wilke, 1997). This reliance on other fairness judgments generally may be viewed as akin to use of the availability heuristic in prospect theory (Kahneman & Tversky, 1973). In the absence of specific pay information, employees would be expected to rely on recent or vivid information that was readily available or accessible in memory. This information might well be other judgments about fairness regarding aspects of the organization—that is, even fairness judgments beyond those regarding pay could become relevant under pay secrecy.

Related to unfairness judgments resulting from pay secrecy is the notion of distrust in the organization. We follow Mayer, Davis, and Schoorman's definition of trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (1995: 712). Pay

secrecy should generally be expected to lower employees' organizational trust. Research on organizational trust all points to the importance of managers' openness with both themselves and others (Butler, 1991), since this behavior suggests that management has both integrity and benevolence. Such openness has been shown to be a primary driver of trust (Mayer et al., 1995; Mishra, 1996).

Two other key factors strongly suggest that organizational trust should be affected by pay secrecy and its ensuing judgments of unfairness. First, media attention to young, self-made millionaires during the technology boom of the 1990s, astronomical executive pay levels, and corporate scandals have highlighted the wide discrepancy in pay in American society, tending to enhance perceptions that pay may be unfair. Pay secrecy in this environment enhances views of this unfairness and corruption, suggesting that organizations cannot be trusted. Second, pay secrecy signals that the organization does not trust its employees.

Pay secrecy should also reduce work motivation. Because a pay-performance linkage underlies many theories of motivation, one can argue that pay secrecy will reduce motivation by breaking that linkage. The only study we are aware of that examines this connection was conducted by Futrell and Jenkins (1978), who found that moving from pay secrecy to pay openness resulted in increased performance on the part of their sample of salespeople, suggesting that motivation was hampered by pay secrecy. This result appeared to stem from an equity theory explanation: since managers acting under pay secrecy compressed the managerial pay scale in their estimates, as mentioned earlier, the link between pay and performance was weakened, and there was less motivation to perform.

Other theories of work motivation also depend on linking pay to performance; without perceptions of this link, employees lack an essential driver of motivation. For example, expectancy theorists (Naylor, Pritchard, & Ilgen, 1980; Vroom, 1964) argue that the motivation to perform is a direct function of the subjective probability that engaging in a certain level of performance will result in given outcomes (i.e., instrumentality). Goal theorists suggest that performance goals employees are committed to drive motivation (Locke & Latham, 1990), and goal commitment is

partially determined by the valence of outcomes associated with achieving a goal (Klein, Wesson, Hollenbeck, & Alge, 1999). Thus, if employees do not know the relative worth of their outcomes, they may be less likely to be committed to goals that assure the achievement of the desired outcomes. They may make poor estimates of their subjective probabilities or the valence of their outcomes.

Pay secrecy can also have an important and deleterious effect on the labor market, thereby imposing a cost on some businesses and society. Economic theory is based on the assumption of perfect information in order to have perfect markets so that resources can migrate to their most valued use (i.e., market efficiency). Labor markets would be one type of market to which this argument should apply (Brickley, Smith, & Zimmerman, 2000). Pay secrecy, by hindering information to employees, generates information *asymmetry* between workers and organizations, thus preventing workers from moving to better-fitting jobs. In other words, if a top-quality engineer is not aware of a higher-paying job that he or she could perform in his or her current company or in another company with a pay secrecy policy, then that engineer may stay in the "wrong" job and be underemployed. Employers cannot "lure" or "pull" good employees away from other employers if they maintain pay secrecy, because they cannot advertise current wage or salary levels. Thus, pay secrecy is one factor that prevents labor markets from clearing in an efficient manner. This represents a cost to employees who could hold better jobs, as well as to organizations that would prefer to hire these employees. Economists would argue that there are social costs imposed because of the inefficient use of human capital in society (Williamson, 1985).

Benefits

Although pay secrecy may have the foregoing costs, it is clear that it must also have benefits attached to it since it continues to be relatively pervasive in organizational practice. Here we identify three major benefits—organizational control, protection of privacy, and decreased labor mobility—which we now discuss in detail.

One benefit of pay secrecy would be that it appears to enhance efforts at organizational control. One major way in which organizations

prefer to control employees is by maintaining a civil, peaceful workplace, free from conflicts. In fact, avoiding conflicts is one of the main reasons managers give for enforcing pay secrecy (Gomez-Mejia & Balkin, 1992; Steele, 1975). There are many reasons to believe that pay secrecy is a major source of avoiding or reducing conflict in the workplace.

First, for example, differentials in pay are hidden under pay secrecy, thus preventing problems in corps d'esprit and levels of satisfaction among workers. As Sally J. Scott, a partner in a Chicago law firm stated, "[Pay secrecy] would create morale problems if one person were allowed to boast about their huge merit bonus" (Walsh, 2000). Second, social psychologists (e.g., Leventhal et al., 1980; Leventhal, Michaels, & Sanford, 1972) have argued that people who allocate resources have a motivation not only to maintain equity but also to avoid conflict. If pay were open, managers might feel that they would have to keep the pay distribution artificially narrow in order to avoid conflict (Leventhal et al., 1980; Major & Adams, 1983). Pay secrecy, however, allows them to provide maximal separation in reward for performance (Bartol & Martin, 1988), while at the same time avoiding negative reactions by those who end up at the lower end of the distribution (Gomez-Mejia & Balkin, 1992; Leventhal et al., 1972). Finally, economists (Brickley et al., 2000) have argued that employers engage in pay secrecy because the cost of the political behavior (such as influence activities) and conflict resulting from pay openness policies makes pay openness inefficient.

In addition, pay secrecy allows organizations to correct pay inequities that arise (even despite good faith efforts to avoid them) without having to face employees' negative reactions to those inequities (Gomez-Mejia & Balkin, 1992). (Ironically, although pay secrecy may generate inferences of pay discrimination, as alluded to earlier, it may also prevent employee awareness of an unintentional pay inequity, thus precluding moderate reactance to or even charges of pay discrimination.) Pay secrecy can therefore be beneficial, because it can actually avoid perceptions of unfairness when pay inequities do exist and can minimize claims of discrimination or other organizational wrongdoing.

Furthermore, if we think of cooperation as the opposite of conflict, it seems clear that organizations, although major players in our capitalistic

economic system, prefer some level of cooperation among employees and like to maintain competition in the workplace at a "healthy" or otherwise nondeleterious level. We can think of employers in North America as operating within an individualistic culture but seeking to transcend it by encouraging more of a tempered collectivistic culture within the workplace. For example, organizations may prefer that employees form identities that include the organization (Ashforth & Mael, 1989). The recent emphasis on teamwork in organizations means that organizations want to encourage employees, under many circumstances, to be good team players instead of striving for "superstardom" at the expense of the team. Pay secrecy should give employers operating in individualistic societies the opportunity to introduce a more interdependent approach to culture and values in the workplace.

Another way in which pay secrecy can serve as a form of organizational control is by being a form of organizational paternalism—a way of treating employees as children and limiting their autonomy, supposedly for their own benefit (cf. Colella & Garcia, 2004). Organizational sociologists and economists (e.g., Jackman, 1994; Padavic & Earnest, 1994) have often discussed how organizations use paternalism to control their employees. Pay secrecy can be viewed as a paternalistic policy when managers argue that pay should be kept secret for the benefit of their employees, because (1) employees really want pay kept secret, (2) it will upset them to know what others are making, or (3) they may make "irrational" decisions (such as leaving) if they know what others are being paid. In each case, managers are assuming that they know what is in employees' best interests while limiting their autonomy by failing to provide them with full pay information.

From the organization's point of view, using pay secrecy as a form of paternalistic control would be a benefit of pay secrecy. It would allow the organization to control its employees, but at the same time would let the employers feel good about it, since they were supposedly acting in the best interest of their employees (Abercrombie & Hill, 1976). It is unclear whether this would be a benefit from the employees' perspective. Some argue that paternalism always causes harm to its targets (Jackman, 1994), but targets often welcome paternalistic behavior (Jost & Banaji, 1994). An employee may reason, for exam-

ple, that an organization really cares about her because, by enforcing pay secrecy, it protects her privacy rights. Regardless of the impact on targets, paternalism is generally seen as an organizational benefit.

A second benefit of pay secrecy would be expected to be the enhanced privacy that comes from having one's own pay kept secret from others. Stone and Stone (1990), in a review of the organizational privacy literature, found that employees' perceptions of privacy led to many positive organizational outcomes, such as performance (Klopfer & Rubenstein, 1977; Sundstrom, Burt, & Kamp, 1980), satisfaction and commitment (Klopfer & Rubenstein, 1977; Sundstrom et al., 1980), and retention (Sundstrom, 1978).

In today's society, in general, as previously mentioned, privacy has become a major concern. Living in an age of technology, we have all become more sensitized to the troublesome ease with which information about us is available and how it can be used to our disadvantage. Much information about us is requested by, and potentially available from, our employers (e.g., in order to work, we must present an official form of ID and a social security number; employers perform credit and sometimes criminal background checks). Given this, it is perhaps not at all surprising that surveys of employees often find that the majority of employees are in favor of pay secrecy policies (Markels & Berton, 1996). In addition, in North American culture there continues to be a strong norm against discussing one's pay (Steele, 1975). Many people prefer not to have their pay discussed by coworkers (Pappu, 2001; Sim, 2001). Most people would be more comfortable answering questions about personal family matters such as religion—or even perhaps sex—than about their salary (BBC News, 2004; Bierman & Gely, 2004). In addition, the discomfort of discussing pay may result from another's revealing too much information about himself or herself (Paetzold, Boswell, & Belsito, 2004).

Of course, some of us might be curious about the pay of others and, thus, be willing to trade off some secrecy about our own pay in order to learn something about how much referent others are making. To date, there is no empirical research that tests this notion. Based on employee surveys, we conclude that the desire for privacy about oneself and one's own pay dominates and overrides the desire to know pay information about others.

Finally, pay secrecy can actually benefit organizations with respect to labor market immobility. Although the labor market inefficiency resulting from pay secrecy may be a cost to society as a whole and some employers in particular, as mentioned above, other employers can profit from this inefficiency by reducing the mobility of their productive workers. For example, Danzinger and Katz (1997) argue that a policy of pay secrecy prevents employees from comparing their wages with others inside the firm, as well as wages of the firm with those in the job market. Such comparisons are needed for employees to switch jobs when it is to their advantage to do so. Thus, pay secrecy reduces this source of information and prevents employees from recognizing other good employment opportunities. A net benefit can accrue to the organization requiring pay secrecy, not only because the pay secrecy facilitates the organization's ability to keep productive employees but also because the organization can avoid costs associated with labor transitions—for example, recruiting and training. Thus, it is clear that pay secrecy can be advantageous for some employers, presumably those who continue to use it.

A related construct in the organizations literature is that of continuance commitment, which reflects an employee's commitment to an organization because of a need to remain with the organization (Meyer, Allen, & Gellatly, 1990). It is not necessary that the employee have positive feelings about the organization; instead, continuance commitment is a function of the opportunities that an employee perceives he or she has. As indicated above, pay secrecy operates by reducing the perceived number of alternative job possibilities, because pay information about other jobs is lacking and appropriate pay comparisons cannot be made. Hence, continuance commitment is increased. At the same time, pay secrecy also prevents "poaching" from other companies, because it keeps competitors from knowing what they must offer to lure good employees away (Sim, 2001). (Notice that we mentioned this earlier as a social cost and a cost to some organizations. Here, it is an organizational benefit.)

Trading off Costs and Benefits

As indicated so far in our discussion, there are both costs and benefits to pay secrecy, but it should also be clear that not all organizations

will experience the costs and benefits to the same degree. This would appear to depend, in part, on the quality of employees, their individual needs and perceptions, and the history of those employees with the employer. Employers can therefore be "profiled" based on their employees in order to predict which of them should choose pay secrecy policies. For example, an organization that has many high-quality employees whom it would like to retain and also has high recruiting and training costs, all else being constant, should be more likely to use pay secrecy than an organization that does not.

Once we remove the constraint that all else is being held constant, pay secrecy can look even better for this organization. Consider that work motivation may not be as much of a concern if the "good" employees are intrinsically motivated (so that pay secrecy will not work to reduce their level of work motivation) and tend to have a lot of accumulated trust in the organization stemming from other aspects of the work relationship. Such an employer (who uses pay secrecy) may enjoy, therefore, the benefit of lack of labor mobility (continuance commitment), in addition to not suffering the costs associated with reduced work motivation and lack of trust in the organization.

Other employers with different cost/benefit trade-offs should be expected *not* to employ pay secrecy. An organization with employees having a low need for privacy, but with a history of organizational unfairness and distrust, should *not* use a pay secrecy policy. For this organization, pay openness could help with perceptions of fairness and trust, as well as potentially improve work motivation and performance. In addition, this organization may prefer to enhance the mobility of its dissatisfied employees and, thus, should prefer pay openness as a way of making outside opportunities more appealing. For example, as discussed above, the pay distribution under pay openness would tend to be narrower than under pay secrecy so that opportunities for pay raises would appear to be small. Although we mentioned that this has the benefit of reducing conflict, we must also note that it will tend to encourage employees to move to other positions, where they can be put to their "most valued use."

Thus, separate consideration of costs and benefits does not reveal the whole picture of pay secrecy; their joint consideration is relevant. In

joint consideration, these costs and benefits can help us to identify why some employers may prefer pay secrecy while others do not; characteristics of individual employees, for example, suggest that some employers should prefer pay secrecy while others should not.

But individual characteristics cannot tell us the whole picture either. In fact, the *context* or *contextual factors* employers face may be the most important determinant of why some employers engage in pay secrecy policies while others do not. The relationships between pay secrecy and its costs or benefits are not fixed but depend on these contextual factors. Organizations and their environments are complex, and there are a number of contextual factors that are likely to accentuate or minimize the costs and benefits mentioned above. For example, which employees should respond more positively to pay secrecy—those who hold knowledge and skills specific to the organizations or those who do not? The answer to this and similar questions suggests that context, or a variety of contextual factors, helps to determine whether pay secrecy is costly or beneficial for organizations. This consideration has never been addressed in the academic literature, and our presentation of it follows.

WHEN DO COSTS AND BENEFITS OF PAY SECRECY OCCUR?

In addition to identifying that there are legitimate benefits to pay secrecy, despite its costs, we also view the thrust of our work as identifying a set of contextual factors that make pay secrecy more likely to be either a benefit or a cost—that is, they make it more likely for organizations to incur the costs or reap the benefits of pay secrecy. Because many organizations seem to prefer pay secrecy today, and because we have presented our discussion from the perspective of highlighting reasons why such a policy may be beneficial, we now assume that pay secrecy is operating throughout the discussion that follows. We identify contextual factors that exist at different levels of the organization and write from the perspective of how they mitigate the costs and help to make the benefits realizable for those organizations employing pay secrecy. We discuss, in order, the nature of human capital, the criteria used for pay allocation, and the gauging of employees' relative pay status.

We do not claim that these are the only contextual factors that can affect how organizations experience pay secrecy, but we view them as three major contexts that share commonality of importance for many organizations.

Contextual Factor 1: Nature of Human Capital

Consider the following scenario. Heather has worked at AAB (Anti-Ad-Bot) for just a few years, but she has reached a high rung on the internal employment ladder—operations manager. To accomplish this, she has held a variety of positions, beginning as a programmer and working her way up, one job after the other. She has received training and experience along the way that has enabled her to perform all jobs below her current position, and that training has also been essential to her knowledge of the unique culture at AAB. Eric started working at AAB at the same time as Heather, but he remains a programmer. He has never undergone specialized training, remaining in a “dead-end” position within AAB. Between Eric and Heather, who should react to AAB’s pay secrecy policy more positively?

We would posit that Eric should. Because Eric has only lower-level skills and no firm-specific training about particular jobs within AAB, Eric also has no special, firm-specific value to AAB beyond what he would have to similar firms. Thus, Eric should be able to go outside the organization in the labor market that is pertinent to programmer jobs for pay information (Milgrom & Roberts, 1992). Heather, however, has such firm-specific skills that she probably cannot find another firm where her talents could be as valuable as they are to AAB. The market for her skills—the one inside AAB—does not allow her to find pay information because it maintains a policy of pay secrecy.

Firm-specific human capital refers to the skills, abilities, knowledge, and/or interpersonal relationships that positively affect employees’ performance in their current employment but that are relatively useless if the employee moves to another organization (Williamson, 1985). Therefore, when employees hold primarily firm-specific human capital, external labor market information is less useful to them. In contrast, general human capital refers to human capital with value that remains the same across various organizations. For example, mathemat-

ics teachers are likely to provide the same value across various schools. Similarly, carpenters may move across sites to build homes without much change in their duties across those various sites. In both cases, employees can be replaced, requiring little, if any, additional training, and pay is relatively difficult to hide from employees having general human capital.

This means that although there is a relationship between pay secrecy and labor immobility (continuance commitment), the nature of the relationship is highly dependent on the type of human capital workers possess. Looking inside the firm for pay information, employees with firm-specific human capital will find their efforts to learn about pay levels thwarted. Employees with general human capital, however, can look to the external labor market and find little hindrance to obtaining pay information.

Similarly, because of the availability of external information, privacy should be less of a concern to employees with general human capital. These employees cannot keep their pay completely secret if an industry compensation norm exists. They may also be less likely to make incorrect fairness judgments, because they can use external comparison others. If the firm is paying market rates, then employees with general human capital should perceive that their pay is fair. (Those with firm-specific human capital lack external comparison others and may be more likely to make incorrect comparisons.) Also, pay secrecy should have less of an effect on motivation when employees have general human capital, because the employees should want to maintain high enough performance levels to make them attractive to other firms.

Thus, having general human capital should mitigate the costs of pay secrecy and enhance any benefits, at least marginally (assuming that an asymptotic level of benefits has not been reached). In our scenario, Heather cannot easily benefit from any outside pay information, but Eric perhaps can. The benefits of having no firm-specific skills accrue to him when pay secrecy is operating. The organization does not suffer costs from pay secrecy with regard to its general human capital employees—and is free to enjoy all the benefits—even though it may incur costs associated with its firm-specific human capital employees.

Contextual Factor 2: Criteria for Pay Allocation

The criteria for pay allocation are those elements or aspects of effort or performance used to determine pay levels. Pay criteria may be measured either *objectively* or *subjectively*, and we suggest that the nature of measurement helps to determine whether costs or benefits will be experienced during pay secrecy. Using objective criteria for pay allocation should mitigate the costs of pay secrecy.

Consider, for example, Ryan and Natasha, supervisors of two different sales teams at a retail outlet. Ryan's manager stresses "management by objectives" and has specific sales goals that Ryan's sales team must reach in order for Ryan to be evaluated highly. Natasha's manager uses more subjective criteria for evaluating her performance, including her communication skills, leadership abilities, and commitment to diversity. Assume that the retailer maintains pay secrecy policies for its employees. For which supervisor will the retailer be more likely to incur the benefits of pay secrecy?

We posit that it should be for Ryan. Recall that one major cost of pay secrecy is that any pay differentials that may exist—here, between Ryan and Natasha—will lose their power to motivate because they are unknown. In order to counter this difficulty, organizations can provide a clear linkage between pay and performance in order to create work incentives for employees (Thompson & Pronsky, 1975). One factor that would enable the pay-for-performance linkage to be clear would be the use of objective performance criteria. Here, Ryan's raises could be justified to him clearly, whereas Natasha's could not. Thus, if Natasha believes she is underpaid, her manager cannot point to objective performance criteria to justify her pay and attempt to convince her that her pay is commensurate with the goals that he or she has specified for Natasha. It would be difficult to discuss "how much" leadership or "how many" skills were necessary for Natasha to satisfy her supervisor's requirement. Ryan's manager would be in just such a position to get that specific, however. And when employees perceive a specific pay-performance linkage, they are more likely to be satisfied with their pay (Huber, Seybolt, & Venemon, 1992).

Second, the performance appraisal literature (DeNisi, 1996; Murphy & Cleveland, 1995) states

that when there is objective information on which to base appraisals, managers are less likely to engage in biases when evaluating employees, and employees are more likely to perceive the appraisal as fair. Such perceptions of fairness will attenuate the general unfairness in justice perceptions that accompany pay secrecy, making the costs of pay secrecy less likely to be incurred and providing for greater organizational trust. This would be true regardless of the strength of the pay-for-performance link, but the two together provide a strong basis for arguing that the costs of pay secrecy will not be incurred.

Third, privacy, a benefit of pay secrecy, is not automatically threatened by having objective performance criteria. Just because performance may be measured more objectively, and hence may be more visible to others, this does not guarantee that pay will be. Privacy issues, however, may be of less concern to employees in this situation, because when objective performance criteria are clearly linked to pay, there is a somewhat natural transparency concerning what people are paid.

Thus, although pay secrecy is operating, an organization that uses objective performance criteria is more likely to experience benefits than one using subjective performance criteria. In addition, however, beyond the question of whether pay criteria are measured objectively or subjectively, is the question of whether pay criteria are *known and not secret*. We suggest also that when the criteria for pay—what we call the basis for one's pay—are known, then the costs of pay secrecy are less likely to be incurred, and the benefits are more likely to be reaped.

When the basis of pay is secret, individuals do not know why they receive the pay they get. The negative effects of pay secrecy (which, recall, has been pay-level secrecy by assumption) should be amplified, and the positive effects with respect to cooperation will be mitigated. Why? Go back to Ryan and Natasha, who, under pay basis secrecy, do not know whether their pay is based on leadership, diversity initiatives, communication skills, sales performance, or some other criteria. The level of uncertainty is even higher than under ordinary pay secrecy such that uncertainty management theory (Lind & van den Bos, 2002) suggests even more negative assessments than before, but for all of the same reasons.

Employees cannot predict their pay into the future. For all they know, chance factors, mistakes, and bias play a role in determining their pay. Fairness assessments will be highly negative and lead to a lack of trust. As employees seek out information about pay (which they are more predisposed to do under uncertainty management theory), they will be able to learn even less than before, thereby creating the possibility of greater conflict. The organization may have passed the point at which individuals are willing to keep their own pay information secret, because a need for uncertainty reduction may lead to an enhanced desire to know *others'* pay as a way of judging one's own.

Clearly, therefore, organizations that provide for pay secrecy should also provide *known* bases for pay if they want to highlight the benefits of the pay secrecy policy and incur fewer costs. In other words, it is not only the issue of measurement of pay criteria that determines whether costs or benefits will be experienced but also knowledge of those very criteria themselves.

Contextual Factor 3: Gauging of Relative Pay Status

Our last factor is at the most micro of the levels we consider, but it is nonetheless important. Employees may always attempt to "guess" where they stand or rank against the pay distribution, even though the distribution itself is unknown. In other words, even under pay secrecy, employees will believe that they are better or worse employees and, thus, closer to the top or bottom of the pay scale. We argue that this affects the organization's consequences of using pay secrecy.

For example, assume that LaToya has always been successful in her work as a loan officer and therefore believes that she probably falls near the top of the pay distribution for bank loan officers at Fifth National Bank. Jonathan, however, doesn't have as much confidence in his work, notices that a lot of the loan officers seem to be more successful than he is, and decides that he is probably closer to the bottom of the pay distribution for loan officers at the same bank. Which of the two loan officers will respond more favorably to pay secrecy?

We argue that employees who perceive their relative pay to be closer to the top of the relevant

pay distribution should have a more positive reaction to pay secrecy, so we expect LaToya to respond more favorably than Jonathan. It has been demonstrated that high performers desire pay secrecy more than low performers (Schuster & Colletti, 1973). First, since these employees believe they are being paid more than others, they may also believe that pay secrecy will prevent them from becoming targets for conflict. Second, because these employees already believe they are being paid more than others, they will be less likely to make judgments that pay levels are distributively unfair. Third, because people who are successful and paid more are more likely to attribute pay to internal causes (Miller & Ross, 1975), they will likely attribute their pay to their own superior performance and, thus, be more motivated, regardless of pay secrecy. Finally, because managers may narrow pay distributions when pay is open, as previously discussed, those who believe they are highly paid may fear that they would be paid less relative to those at the bottom of the distribution were pay to become open.

In summary, therefore, employees who perceive that they have high relative pay will tend not to suffer from judgments of unfairness or decreases in motivation under pay secrecy. Thus, because pay secrecy was described as a potential cost in the previous section, the implication is that this expectation holds for employees who view themselves as being at the bottom of the pay distribution (i.e., probably the lower performers). We predict that what previously appeared to be costs of pay secrecy—lack of fairness perceptions and lowered work motivation—would tend to occur most strongly for those employees who believe they are paid low relative to relevant others.

But does this make sense? What is it about these employees that could render pay secrecy even more negative for them? For example, we might argue that the employees who perceive themselves as making low relative pay may also perceive themselves as having low value in the organization. In that case, they should see pay secrecy as a benefit. As one worker stated:

I worked in a place where a lot of people knew others' salaries. . . . I was humiliated when I found out that others at my title and experience level were making vastly higher amounts of money. . . . If management had kept that information to themselves, and discouraged discussion,

they would have prevented a lot of problems (Cohen, 2003).

The "humiliation" spoken of by this worker suggests a privacy violation: he or she experienced negative affect when allowed to compare his or her own pay with that of others. The humiliation was undoubtedly not only due to the realization that others at the same title and level of experience were making more but also that coworkers could realize that this worker was making *much less*. This type of privacy issue is the one we identified as a benefit to pay secrecy.

However, employees who perceive themselves as being paid less than others are more likely to experience an array of negative outcomes from pay secrecy for a variety of interrelated reasons that do not concern privacy. First, they will intuitively be more likely to experience conflict with decision makers about pay and perhaps other coworkers whom they perceive to be paid at higher levels—a negative factor. Second, employees who experience negative pay outcomes are more likely to perceive them as distributively unfair. It is under conditions of judgments of distributive unfairness that employees will also be most concerned about procedural fairness of pay allocation decisions (Brockner & Weisenfeld, 1996), which we have already described as tending to be negative under pay secrecy. Finally, employees who experience negative outcomes will be more likely to attribute the cause of those outcomes to external sources, such as bias on the part of the decision maker. This might increase the likelihood of conflict and reduce motivation (Miller & Ross, 1975). Thus, pay secrecy should clearly be linked to costs of judgments of unfairness and lowered work motivation in this situation.

In addition, perceptions of being paid less than relevant others could increase perceptions of mobility by making relatively low offers or lesser opportunities from the outside look more appealing than they otherwise would, particularly if the employees are attributing low pay level to unfairness or bias (Hulin, Roznowski, & Haichya, 1985). Thus, those who believe themselves to be at the lower end of the pay scale should experience pay secrecy in a more negative manner than those who believe they are at the higher end.

WHAT REMAINS TO BE KNOWN ABOUT PAY SECRECY?

In short, much. In this article we have entered into a discussion of pay secrecy with multiple goals in mind. The notion of pay secrecy jumped into our research minds when one of us, Asghar Zardkoohi, discussed with the rest of us a news article he had just read on the topic. As conversation evolved, we realized that we knew and had heard very little about this topic. Our own investigation of early research efforts indicated that scant scholarly work existed on this topic, and most of it had been done many years ago. It seemed that most of what we thought we knew about pay secrecy was anecdotal.

Numerous discussions later, we emerged with this framework for discussing pay secrecy. Our hope is to regenerate an interest in the topic, one that this time will engage more scholars and produce more scholarship. We hope that our framework provides many research questions that academics will find interesting. No longer need we make the intuitive jump, as many organizational researchers have, that pay secrecy is obviously bad for organizations. No longer need we embrace economists' intuitive belief that pay secrecy must be good for organizations or organizations would not use it.

In addition, we have attempted to suggest that pay secrecy is not just a human resources issue. It has individual and societal consequences that cannot be ignored, even beyond their impact on the organization. For example, the very concept of privacy is an important social value during the early twenty-first century. Pay secrecy may not only reflect this value but may be critical for promoting this value more strongly in American society. Future research could focus more generally on the role that pay secrecy in organizations plays in helping society maintain or even attain a level of individual privacy that allows American citizens or residents to live in comfort, experience important freedoms, or even achieve other goals that we, as a society, see as valuable.

What is the overall impact of pay secrecy on society? Does it maximize the differential between higher- and lower-paid employees? What is its net effect on wages? If it is true, as we have conjectured, that pay secrecy will enable supervisors and managers to create larger pay differentials among employees, then we expect that

high-performing employees could make even more in wages or salary than they would tend to under pay openness. Also, the pay differential should be wider under pay secrecy, because there is less of a concern about conflict when employees do not know what others are making, as we have discussed. Thus, society could experience an even bigger gap between those who are highly paid and those who receive little pay. This topic should be of particular interest to a broad range of management scholars. For example, is it even possible for all organizations to hold pay secrecy policies at the same time in a capitalist society? What benefits would be expected to accrue to the "first mover"—the first organization to offer pay openness? What would characterize the first-mover organization?

Pay secrecy also can be important in the study of international management or cross-cultural management, as we have alluded to in this article. First, further study regarding the notion that organizations operating in a capitalistic society may nonetheless try to instill the values associated with collectivist societies is interesting to explore in and of itself. What happens when American businesses locate in countries having cultural values different from our own? Is it true that pay secrecy has a different impact in more collectivist cultures? (Here, it might be interesting to consider whether pay openness leads those at the top of the pay distribution in Eastern cultures to be the most embarrassed for "sticking out," whereas in Western cultures those at the top may be the most proud, even if they want to avoid being the targets of conflict.) What happens when workers from different cultural backgrounds and expectations must work alongside each other in the same organization? The strategic considerations accompanying pay secrecy simply should not be ignored, but research is needed to inform us of the importance of culture to strategic decision making in this regard.

One aspect of organizational control not considered in this article is the manner in which pay secrecy is "enforced." We believe this variable falls along a continuum, from implicit to explicit enforcement. At the more lenient end is a situation where there are no explicit norms or organizational policies regarding the discussion of pay—where pay secrecy might exist only because individual employees choose not to discuss their pay with each other. At the most re-

strictive level—the more explicit of the two poles—there is an enforced and formal organizational policy that prohibits discussion of pay. Along the continuum are levels that include varying degrees of pay secrecy. For example, somewhat beyond the more lenient of the poles is a level where pay secrecy is enforced by group or departmental norms alone, despite no formal organizational policy existing about the discussion of pay. Closer to the more restrictive pole is a level where there are strong organizational norms or informal policies against sharing pay information—for example, a statement emphasizing that pay discussion should not take place, but without sanctions in place.

The manner in which pay secrecy is enforced is likely to affect how employees will respond to it. On the one hand, when pay secrecy stems from either individual choices or informal group norms not to discuss pay, employees are signaling that they value the privacy avoidance of conflict that they obtain from pay secrecy to a greater degree than they value information about what others are being paid. It is unlikely that this situation would arise if there were suspicions of bias in the pay distribution or if there were substantial negative fairness inferences regarding the organization. On the other hand, when the enforcement of pay secrecy is tied to the organization and is not volitional on the part of employees, employees may view this as overreaching, providing a basis for suspicion that the organization has something to hide and may be biased and unfair. Research on this issue could help to elucidate the trade-offs employees make regarding privacy choices about their own pay, as well as shed light on broader issues of organizational control.

Certainly, strategic HR academics can pursue many research questions stemming from pay secrecy. For example, the question of internal alignment (i.e., the degree to which different HR practices fit together and work with the overall strategy of the organization) is related to compensation strategies and, thus, potentially, to pay secrecy. Corporate strategy may influence the effectiveness of a pay secrecy policy in conjunction with whether the firm is pursuing a defender strategy or a prospector strategy (see Miles & Snow, 1978, for a review of these strategies).

Gomez-Mejia and Balkin (1992) have proposed two different compensation strategies that

would be appropriate for these different business strategies: algorithmic and experiential strategies. An algorithmic strategy is one characterized by pay based on individual performance, internal equity, above-market salary and benefits, and *pay secrecy*. An experiential strategy, in contrast, is characterized by pay based on level of skills, external equity, below-market salary and benefits (but salary plus incentives *above market*), and *pay openness*. Gomez-Mejia and Balkin hypothesized, and have found support for the idea, that defenders would use algorithmic compensation strategies, whereas prospectors would employ experiential compensation strategies (Balkin & Gomez-Mejia, 1987, 1990).

However, our analysis makes it unclear as to the extent to which these aspects of a compensation system *should* occur together if a firm wishes to achieve the benefits of pay secrecy. For example, a firm following an algorithmic strategy would appear to be attracting top employees, paying them along internal hierarchical distinctions in individual performance (which could be relatively wide), and would probably invest in firm-specific training for them. Both the relatively wide pay distribution and the firm-specific investments for the employees suggest that the employer would suffer the costs of a pay secrecy policy instead of realizing the benefits. *Pay openness* would appear to be more appropriate for firms in this situation.

If a firm followed an experiential strategy, however, it would appear to be maintaining general human capital for its employees and encouraging weaker employees to leave the organization by paying below market. The incentive pay system should lead to wider pay distributions, providing perceptions that pay is unfair and potentially leading to conflicts. *Pay openness* would seem inappropriate in this situation. Instead, the benefits of having pay secrecy could be achieved (privacy and lack of conflict; maintaining high-quality employees) while its costs would be mitigated (perceptions of unfairness and lack of trust; subjecting good employees to poaching). Thus, *pay secrecy and not pay openness* would be desirable in this situation. Further investigation of Gomez-Mejia and Balkin's contingency approach to compensation strategies should be conducted as a result of our research.

Additional HR strategy issues may also be generated from our work by considering pay-

level secrecy in conjunction with other pay system characteristics more generally. Clearly, based on the above, HR strategy can influence the effectiveness of pay secrecy policies. We have examined pay-level secrecy in isolation from other pay system characteristics and corporate strategy (implying a "best practices" approach), but future work is needed to expand our approach.

Pay secrecy continues to be a contentious and interesting issue in our society today. Nonetheless, there has been little scholarly research over the past several decades. We hope that our efforts here will reignite research on this timely and provocative topic and serve as a guide for future research.

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Adrienne Colella (acollela@tulane.edu) is a Freeman Professor of Research and OB in the A. B. Freeman School of Business, Tulane University. She received her Ph.D. in industrial/organizational psychology from The Ohio State University. Her research interests include fairness, discrimination, and disability issues in the workplace.

Ramona L. Paetzold is a professor and Mays Research Fellow in the Department of Management at Texas A&M University. She received her Ph.D. from Indiana University, Bloomington. Her current research interests include disability discrimination, justice, and employment regulation.

Asghar Zardkoohi is the T. J. Barlow Professor of Business Administration in the Department of Management at Texas A&M University. He received his Ph.D. from Virginia Polytechnic Institute and State University in economics. His research interests are decision making under uncertainty, corporate governance, organizational architecture, and compensation.

Michael J. Wesson is an assistant professor in the Mays Business School at Texas A&M University. He received his Ph.D. from Michigan State University. His current research interests include employee recruitment and selection, organizational socialization, and organizational justice.

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