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Understanding How and Why Organisations Implement Pay Secrecy.

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Declaration

i. The thesis comprises only my original work towards the Degree of Doctor of Philosophy except where indicated in the preface;

ii. due acknowledgement has been made in the text to all other material used; and

iii. the thesis is fewer than the maximum word limit in length, exclusive of tables, maps, bibliographies and appendices or that the thesis is 71,543 words as approved by the Research Higher Degrees Committee.

Leanne Griffin

Date: 30 June 2020

ABSTRACT

Pay secrecy is an established organisational practice. However, little is known about why or how organisations implement this policy as the focus of research has been on employee reactions to pay secrecy. The widespread use of pay secrecy is puzzling since it blocks pay signals that can stimulate employee performance. To investigate this issue, two qualitative studies (an interview study and two cases studies) were conducted based on signalling theory. The research found that organisational decisions to implement pay secrecy were based on perceptions held by management about employees' likely responses to pay information. Factors identified to be important included: employees' emotions, objectivity and understanding; managerial competency, conflict avoidance and paternalism; and organisational characteristics relating to complexity, culture and leadership values. This research expands signalling theory (Spence, 1973) to the context of pay secrecy from an organisational perspective. It offers new insights by applying signalling theory to the study of organisations' signalling goals and the deliberate signals that they send to employees. This provides the theoretical framework that has been missing in previous explanations about why and how organisations implement pay secrecy. Future research should take into account how employees perceive the pay secrecy signals sent by organisations.

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CHAPTER I

INTRODUCTION

Pay secrecy is an established organisational practice yet we know surprisingly little about why or how organisations adopt it. Its purpose is to restrict employees' pay knowledge or more specifically, Belogolovsky and Bamberger (2014, p. 965) describe it as: "a pay communication policy that limits employees" access to pay-related information and discourages the discussion of pay issues'.

As a management practice, pay secrecy has gained some notoriety. Commentators and researchers have linked it to pay discrimination issues, particularly gender-based pay inequity (e.g., Colella, Paetzold, Zardkoohi, & Wesson, 2007; Phillips, 2009; Wong, 2019) which has contributed to political initiatives in several countries to curtail its use. In Australia, efforts to legislate to prohibit the practice failed in 2015[1] (Sobeck & Breunig, 2018). However, laws enacted in the United Kingdom, Germany and the United States have diluted organisational powers to enforce pay secrecy in the workplace[2]. Researchers have consequently observed a trend away from secrecy toward greater transparency (for example, Marasi, Wall, & Bennett, 2018) especially in the United States where survey data suggests that the number of organisations practicing pay secrecy has fallen (Marasi et al.,

[1] The Fair Work Fair Work Amendment (Gender Pay Gap) Bill 2015 was unsuccessful. For information see https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22legislation/billhome/s1017%22

[2] As of 2018, 13 U.S. states have introduced legislation prohibiting firms from retaliating against employees who disclose their pay to co-workers.

2018). In 2010, however, 51 percent of respondents in an IWPR/Rockefeller survey reported pay secrecy in their workplace, suggesting that pay secrecy continues to operate in some form in many US organisations (Hayes & Hartmann, 2011).

In Australia, the managerial practice of keeping pay information secret also remains popular, especially in the private sector where many organisations do not communicate openly with employees about pay (Shields, Scott, Sperling, & Higgins, 2009)[3]. In the most recent published survey, more than half of Australian organisations reported that they would punish or actively discourage employees from disclosing their salaries (Shields et al., 2009).

The persistency of pay secrecy is unexpected. Despite public opposition, and legislative attempts to block its practice, pay secrecy remains "an important fact of life in many organisations" (Mulvey, LeBlanc, Heneman and McInerney, 2002, in Bierman & Gely, 2004, p. 171). In order to make sense of its occurrence, it is important to understand the causes of pay secrecy, including both the stated and underlying reasons many organisations prefer it and the means by which they achieve it. Consequently, this thesis investigates the causes and operation of pay secrecy in Australian, private organisations. In the research described herein, qualitative methods were used in two research projects to gain an in-depth understanding of the motivations and methods by which organisations create and maintain varying levels of pay secrecy in the workplace.

[3] The ssurvey sample comprised 147 Human resources and reward professionals representing organisations from the Australian private sector (76% of respondents), not-for-profit sector (4%) and the public sector respectively (Shields et al., 2009).

Background

A short period of academic inquiry in the late 1960s and 1970s (e.g., Lawler, 1965, 1967, Thompson and Pronsky,1975,1972, Milkovich and Anderson, 1972, Futrell, and Jenkins, 1978) gave way to limited study over the following decades. Then, in 2007, the publication of a literature review by Colella et al. (2007) renewed interest in pay secrecy and sparked new research that coincided with growing public debate over the practice. This debate centred around the motives behind pay secrecy and stemmed from concerns about its discriminatory effects on women and minority groups (for example, see Cooney, 2018). In each research phase, empirical investigations have concentrated on identifying and measuring the outcomes of pay secrecy with significant effort spent testing how pay secrecy affects employee-based outcomes and managerial decisions about allocating pay (Belogolovsky & Bamberger, 2014).

Of these two areas, there has been a heavy emphasis on studying the effects of pay secrecy on employees – particularly in respect to their attitudes and behaviours. However, research is fragmented and overall, there is little agreement about how pay secrecy affects employees (for example, Bamberger & Belogolovsky, 2010; Schuster & Colletti, 1973). Experimental and survey-based research has shown that pay secrecy negatively affects task performance (Bamberger & Belogolovsky, 2010; Belogolovsky & Bamberger, 2014), employee performance (Futrell & Jenkins, 1978), job satisfaction, pay satisfaction (Day, 2012; Lawler, 1971; Milkovich & Anderson, 1972; Sweins, Kalmi, & Hulkko-Nyman, 2009), organisational citizenship behaviours (Marasi et al., 2018), employee justice perceptions (Marasi et al., 2018) and organisational commitment (Day, 2012).

However, several other laboratory-based experiments report positive effects of pay secrecy on employees including increased helping behaviours (Bamberger and Belogolovsky, 2017) as well as decreased counterproductive workplace behaviours (SimanTov-Nachlieli & Bamberger, 2020) and reduced job search intentions for low paid workers (Card, Mas, Moretti, & Saez, 2012). Similarly, the sharing of pay information rather than secrecy has been found to be associated with lower pay equity perceptions among employees (Day, 2007).

A handful of experimental studies also tested the effects of pay secrecy on managers, with a special focus on how secrecy changes the way managers allocate pay among subordinates. Managers have been shown to pay employees more equitably when pay is kept secret and more equally when pay decisions are public (e.g., Kidder, Bellettirie, & Cohn, 1977; Leventhal, Michaels, & Sanford, 1972; Major & Adams, 1983). Put another way, managers are more inclined to pay employees differently and based on their relative performance, when pay is secret. When pay is transparent, managers equalise, or reduce pay dispersion, between employees. Scholars have speculated that managers are less inclined to pay employees differently when pay is transparent because they fear negative reactions from low paid employees (Major & Adams, 1983).

Both areas of research into the effects on employees and managers provide valuable insights into the outcomes of pay secrecy but they do not answer the questions of how or why pay secrecy occurs in organisations. There have been some efforts to address this gap in our knowledge. Scholars have put forward empirically untested explanations of managerial preferences for pay secrecy. These papers have posited various explanations including conflict avoidance between employees (Gomez-Mejia & Balkin, 1992; Steele, 1975), gaining labour market competitiveness (Danziger & Katz, 1997; Lavie & Robin, 2008), maintaining employee morale (Leventhal et al., 1972) and safeguarding privacy (Colella et al., 2007; Cullen & Perez-Truglia, 2018). However, researchers are yet to test these posited explanations.

A few studies have also considered the influence of contextual factors, reporting an empirical link between pay secrecy and organisational structure (Balkin & Gomez-Mejia, 1990) as well as a relationship between pay secrecy and social norms (Bierman & Gely, 2004; Cullen & Perez-Truglia, 2018). However, beyond these studies, empirical research identifying the conditions associated with pay secrecy remain limited.

Statement of the Problem

Taken together, the available research is valuable but suffers from some drawbacks. First, the little research available that explains why and how organisations implement pay secrecy is largely anecdotal and empirically untested (e.g., Danziger & Katz, 1997; Lavie & Robin, 2008). A common issue is that scholars tend to provide explanations for pay secrecy based on the results of previous studies showing how pay secrecy affects employees and managers (for example, Colella et al., 2007). However, research has not demonstrated that these reported outcomes are the reasons why organisations introduce pay secrecy.

This is not surprising given that research has focused rather narrowly on the effect of pay secrecy on employees' pay perceptions and managers' pay allocation decisions. As a result, the pay secrecy literature "provides a limited understanding of its overall utility to organisations" (Belogolovsky & Bamberger, 2014, p. 1706). While the literature offers some suggestions about why organisations adopt pay secrecy, few studies have investigated how well such theories and evidence compare with the explanations and experiences expressed by people directly involved in these decisions – managers and Human Resource (HR) practitioners.

Further, the linkages between the pay secrecy practices of organisations, their intended outcomes and the role of context are not well established. It is important that the pay secrecy literature takes into account not only the plurality of different justifications on which organisations implement pay secrecy but also the setting-specific factors that influence its use. When the rationales for, and causes of, pay secrecy are not well understood, research attention can become concentrated on studying a small number of effects, and potentially miss other important areas of investigation.

Previous research has also omitted a theoretical foundation that can explain how the hypothesised determinants reported in the literature relate to pay secrecy. Equity theory (Adams, 1965) has been widely applied to understand and interpret the effects of pay secrecy on managers and employees. This theory posits that people prefer pay equity which they perceive as being fair (Adams, 1965). Pay is "equitable" when pay differences among employees match up with differences in their level of work effort and performance. Whenever people sense an imbalance, they experience distress or cognitive dissonance (Carrell and Dittrich, 1978).

Using equity theory, a number of studies have demonstrated that people's perceptions about pay equity affect the way they respond to pay information (e.g. Lawler, 1965a). By studying the effects of pay information on individuals, researchers have been able to draw conclusions about why the behaviour and attitudes of employees and managers change under transparent and secret conditions.

However, the pay secrecy literature does not currently incorporate a similar theoretical “blueprint” for interpreting why and how organisations implement pay secrecy. So, while prior research provides disparate rationales for pay secrecy, a theory linking pay secrecy with the beliefs and actions of organisations is missing.

Until now, the pay secrecy literature has focused on the outcomes of pay secrecy but omits an analysis of why and how pay secrecy develops, which hampers both theory development and empirical research in this field. We still do not fully understand the reasons behind these organisational decisions. Researchers would be better positioned to evaluate pay secrecy if the motives behind this practice could be identified and understood.

For those organisations with some level of pay secrecy, it remains unclear if such secrecy is the result of specific efforts to keep pay information from employees or whether it is a by-product of business customs, social norms or environmental factors. From a practical standpoint, the connection between observable pay secrecy and the precise measures that organisations use to achieve it is not well understood.

Purpose and Research Questions

The purpose of this study was to investigate the reasons for, and the methods by which organisations implement pay secrecy. In order to develop a conceptual model to explain how and why organisations implement pay secrecy, this research applied signalling theory to identify pay secrecy practices and behaviours that organisations use with the intention of sending pro-secrecy signals to employees and what outcomes they are pursuing when they do so. In order to learn more about this phenomenon, this study investigated the following two research questions relating to the communication of pay secrecy from organisations to employees:

1. Why do organisations implement pay secrecy?
2. How do organisations implement pay secrecy?

Two qualitative studies were undertaken to answer both research questions. The first, an interview-based study, captured the experiences and perspectives of managers and HR practitioners involved in the introduction and operation of pay secrecy rules in large, private organisations. The second study, a cross-case study, examined and compared the contrasting pay secrecy policies of two Australian, private organisations.

Definition of Pay Secrecy

This thesis uses the phrase "pay secrecy" to describe organisational secrecy in relation to pay information. It applies the definition provided by Smit and Montag-Smit (2019), which includes two forms of pay secrecy: secrecy about pay information and communication restriction. The former describes the decision by organisations to withhold pay information from employees, while the latter refers to organisational rules or policies that prohibit employees from divulging pay information to others. This understanding of pay secrecy mirrors definitions provided by other researchers (for example, Arnold, Fulmer, Sender, Allen, & Staffelbach, 2018; Belogolovsky & Bamberger, 2014).

Theoretical Framework

This thesis draws on signalling theory (Spence, 1973) to understand why and how management adopts pay secrecy. Signalling theory suggests that management communicates information to employees by sending signals (Spence, 1973). The purpose of sending these signals is to reduce information asymmetry in order to elicit favourable changes in the way employees behave (Cotter, Lokman, & Najah, 2011). Information asymmetry occurs whenever one party has more information than another (Akerlof, 1970). Existing research on signalling theory and organisational behaviour suggests that organisations send signals that benefit the organisation and withhold signals that do not (for a review, see Connelly, Certo, Ireland, & Reutzel, 2011).

Applying signalling theory in this study offers a new way to explain managerial decisions that signal a policy of pay secrecy to employees. According to signalling theory, when deciding whether to signal pay secrecy, management must predict how pay information is likely to be interpreted by, and also affect the behaviour of, employees. In reaching a signalling decision, management weighs up the respective likely positive and negative effects of pay secrecy and transparency on employee behaviour. On this basis, management signals pay secrecy when it is expected to produce more positive employee behaviours than making pay information transparent.

Signalling theory also offers a way to understand how organisations create pay secrecy in the workplace. Because every employee knows his or her own pay, organisational pay secrecy requires employees to be secretive with each other. The principals of signalling theory suggest that organisations encourage these secretive behaviours by signalling pay secrecy expectations to employees. Other research has shown that managerial actions and behaviours send signals to employees about organisational values, expectations and priorities. These cues, in turn, encourage employees to adopt similar attitudes and behaviours (e.g. Bowen & Ostroff, 2004). Using these signalling principals, this research also contends that managerial actions and behaviours that demonstrate pay secrecy encourage employees to also be secretive about pay information.

In this way, signalling theory provides a framework for identifying how management compels employees to keep their pay information secret.

Methodology

This research is based on a qualitative design, which is a method for collecting, analysing and interpreting interview and observational-based data. Qualitative research is useful for theory building (Kelly, 2010) and when there is no or only little empirical research available (Yin, 2009). As noted earlier, there have been many studies investigating the effects of pay secrecy on employees but researchers are yet to comprehensively investigate why and how organisations implement pay secrecy. This lack of prior research in addition to the absence of an accepted theoretical framework necessitated carrying out an interview-based qualitative investigation in Study One. Its goal was to determine the important themes to examine and to improve understanding of pay secrecy's occurrence. This study investigated managerial stakeholders' descriptions of their experiences of pay secrecy in their organisations. A second case-based qualitative study (Study Two) was performed to investigate the themes identified in Study One by examining how pay secrecy was operationalised in two case study organisations. Study Two compared the pay secrecy approaches in two organisations that had adopted contrasting pay secrecy policies (i.e. secrecy vs. transparency). The strategy of first sampling a range of managerial experiences in Study One and then concentrating in depth on two case study organisations in Study Two, allowed the researcher to first develop, and second, test a conceptual model of why organisations decide to adopt pay secrecy, and how they then implement it.

Both studies involved Australian managers and HR practitioners from private sector organisations. The data collection and analysis were guided and anchored by the interpretive paradigm (M. Weber, 2003). This perspective takes the view that the researcher is connected to, and influences, the phenomenon under study. The student researcher approached the research with some pre-existing knowledge but remained open to uncovering contradictory or conflicting information as the investigation unfolded.

Significance of the Study

Research Contribution

The present research contributes to the literature in three ways. First, it makes conceptual contributions to pay secrecy research and signalling theory. This research is the first that uses signalling theory (Spence, 1973) to explain why and how organisations adopt pay secrecy. A previous study by Belogolvsky and Bamberger (2014) applied signalling theory to study how employees respond to pay secrecy policies. However, signalling theory has been largely ignored as a way to interpret employees' behaviour in relation to pay secrecy and has not been used in any prior research to study pay secrecy from an organisational perspective. Until now pay secrecy research has been almost exclusively examined through the lens of equity theory (Adams, 1965) which predicts that employees' and managers' perceptions of pay equity influence how they react to different levels of pay secrecy. However, equity theory does not explain the adoption of pay secrecy by organisations and until now, researchers have not offered an alternative theoretical framework that provides a clear explanation of what has been found in the literature. Incorporating signalling theory into this research fills this void.

This research also expands the signalling theory literature by examining the phenomenon of pay secrecy signalling. This research builds on previous studies of how organisations signal information to employees and more generally, increases our knowledge of why organisations signal. Signalling theory is also often used to explain how employees respond to managerial signals in the workplace. However, our understanding of how it can be applied to organisations' signalling objectives and intentional signalling behaviours is less developed (Celani & Singh, 2011; Wilhelmy, Kleinmann, König, Melchers, & Truxillo, 2016). This research examines pay secrecy signals specifically from a managerial perspective and so focuses on investigating the intended rather than unintended or accidental messages sent by organisations to employees. In doing so, the research contributes to our understanding of signalling decisions while also relating signalling theory to a new context.

Second, this research makes an empirical contribution to pay secrecy research by providing new evidence on how and why organisations keep pay secret. Pay secrecy is an established business practice (Belogolovsky & Bamberger, 2014) and many researchers have investigated its effects on employees. But scholarly research on how and why organisations implement pay secrecy is rare (Bamberger & Belogolovsky, 2010; Colella et al., 2007; Day, 2007, 2012). Many of the explanations put forward are theories that have not been empirically tested and it is uncertain which rationales posited by researchers hold resonance with management. Without understanding the reasoning behind pay secrecy, it is difficult to assess its true purpose or value to organisations. Nor is it straightforward for researchers to draw conclusions about an optimal level of pay secrecy without understanding the diverse factors that organisations consider when making pay secrecy decisions. As Giancola (2014) remarked, "a clear-cut body of research supporting the use of open pay systems does not exist at this time" (Giancola, 2014, p. 167). This research provides empirical evidence to help evaluate previous theories while also presenting new explanations for pay secrecy that have not been previously addressed in the literature.

Similarly, this research offers a comprehensive way to understand how organisations promote pay secrecy behaviours in the workplace. A taxonomy of managerial pay secrecy signals is developed that offers insights into the specific signals that organisations deliberately use. This extends our knowledge of the practical workings of pay secrecy policies beyond what has been proposed in past research.

This research's third contribution is to expand the methodology employed in the study of pay secrecy. This research yielded valuable results due to its qualitative research design. Qualitative data collection is especially useful for building knowledge in under-researched areas (Yin, 2009). As noted, there is presently a lack of empirical evidence addressing how and why organisations implement pay secrecy. With a few exceptions (for example, Balkin & Gomez-Mejia, 1990), prior research has been experimental or more often, speculative. The current study connects and integrates the results of two qualitative research projects to gain an understanding of the underlying reasons and motivations behind pay secrecy policies. In doing so this research helps to develop new directions for quantitative research.

In Study One, semi-structured interviews with managers and HR practitioners provide a mechanism to understand the reasons, motivations and goals of pay secrecy signalling decisions. Until now, the voices of these stakeholders who make decisions about pay secrecy and who are responsible for operationalising those decisions have been missing in the Pay Secrecy Literature.

In Study Two, cross case study analysis builds on the knowledge developed from the qualitative interviews in Study One to investigate how pay secrecy signalling behaviour occurs under two different organisational settings. The integration of the two approaches offers deeper insight into the problem of organisational pay secrecy; first, by exploring participants' views about organisations' pay secrecy signalling and then by identifying the factors contributing to the adoption of organisational pay secrecy.

Implications for practice

Studying organisations' pay secrecy signalling not only builds our conceptual and empirical knowledge of pay secrecy but also provides insights for practice. Understanding why organisations adopt pay secrecy provides practitioners with a clearer picture of the costs and benefits of pay secrecy when formulating policies for their own organisation. Similarly, understanding the context for pay secrecy decisions would be a good starting point for organisations when determining an appropriate level of pay secrecy to signal in their own workplace. Additionally, prior research treats pay secrecy as one half of a pay secrecy - pay transparency dichotomy but qualitative findings from this research illustrates that organisations vary their level of secrecy with respect to different types of pay information. Taken together this knowledge can inform pay secrecy behaviour that supports organisational performance. Understanding how signalling theory can be applied to managerial practices, policies and communication might also assist organisations to design and administer workplace strategies that improve employees' acceptance of, and compliance with management's preferred level of pay secrecy.

Legislators and policy makers might also benefit from greater knowledge about managerial motives for pay secrecy practices. Understanding the goals of pay secrecy can assist in the development of policy reforms that capture the potential economic benefits of pay secrecy while taking into consideration any potential social costs.

Limitations

Every effort was made to design and execute a comprehensive research investigation however there were some shortcomings and conditions beyond the student researcher's control that limited the research's methodological design and its findings. These limitations included risks relating to: (1) researcher bias, (2) sample bias and (3) subject reliability and self-reporting. A thorough discussion of the limitations is presented in Chapter 6: Discussion and Conclusion. In addition to these limitations, several assumptions and decisions made by the student researcher delimited the study in terms of its findings. These are summarised in Appendix G.

Thesis Structure

This thesis is arranged into six chapters. This introductory chapter introduces the research topic and the present research. Chapter Two presents a summary of the available literature on pay secrecy and signalling theory. It then integrates and positions the current research within this literature. In Chapter Three, the methodology employed to investigate the research questions is outlined. This chapter defines the epistemological and philosophical foundations of the research, as well as the research design, data collection methods, samples and analysis for the two qualitative studies. Chapters Four and Five report the results from these studies. To conclude, Chapter Six discusses the research findings. It explores some possible implications of these results, describes limitations of this research and recommends directions for future investigation.

Chapter Summary

This thesis investigates why and how organisations implement pay secrecy in organisations. Various explanations have been offered to explain pay secrecy, both in the scholarly literature and in the media. However, to date, few studies have empirically investigated the perspectives of managers and HR practitioners who make and apply these policy decisions. This chapter introduced the study by presenting an overview of the background and problem statement and an outline of the study's purpose, research questions and significance. It also summarised the theoretical perspective (signalling theory) on which the research is based, and provided a conceptual definition of pay secrecy. In the next chapter, the thesis reviews the pay secrecy and signalling theory literature. It begins by focusing first on how secrecy manifests itself in organisational decision making and then, on the relationship between secrecy and pay. A summary of the reported effects of pay secrecy is presented. Then, the organisational uses of, and rationales for pay secrecy are explored. Chapter Two also introduces a conceptual framework for investigating the adoption and implementation of pay secrecy policies by organisations. This framework specifically draws connections between signalling theory and pay secrecy.

CHAPTER II

LITERATURE REVIEW

Introduction

This thesis investigates why and how organisations adopt pay secrecy. Chapter One presented the research problem, background and research questions. It also introduced signalling theory as the theoretical framework underpinning this project. Chapter Two presents a review of existing pay secrecy literature and demonstrates how signalling theory can be applied to understand why and how organisations implement pay secrecy. This chapter consists of three parts. Section One introduces the phenomenon of pay secrecy. A detailed definition of pay secrecy is put forward and pay secrecy is positioned in the literature as a form of organisational secrecy. Section Two presents a summary of the pay secrecy literature which highlights the lack of research exploring how and why organisations adopt pay secrecy. In Section Three, a conceptual framework based on signalling theory is presented that provides the basis for investigating the research questions. An overview of signalling theory is provided and then, the discussion explores how signalling theory has been applied in previous research to study organisations' signalling behaviours. In Section Four, this chapter draws together the principles underlying signalling theory, explains how it offers a way of understanding pay secrecy, and discusses how it applies to the current study.

Section One: An Introduction to Pay Secrecy

Secrecy in Organisations

Secrecy is an inherent characteristic of any organisation (Max Weber, 1922). Broadly defined, secrecy "intentionally conceals knowledge, information, and behaviour from the view of others" (Bok, 1989, pp. 5-6). The secrecy literature recognises two parties to organisational secrets – "insiders" possessing information and "outsiders" denied information. Outsiders include individuals or groups both within, and external to, the organisation.

Secrecy is important because when organisations withhold information, their processes and actions are closed to scrutiny or comment. This increases the chance that harmful or unethical behaviour will go unchecked (V. Anand & Rosen, 2008). Organisations can use secrecy to conceal wrongdoing and unethical practices which could otherwise result in fines, imprisonment or reputational damage (Keane, 2008). However, organisational secrecy can also be benign – seeking only to protect legitimate behaviour or knowledge that can provide sources of competitive advantage (Keane, 2008).

The corollary of secrecy is transparency which Schnackenberg and Tomlinson (2016, p. 1788) define as "the perceived quality of intentionally shared information from a sender." This definition acknowledges that transparency refers not only to the deliberate sharing of information but also to the quality of information that is shared.

Like secrecy, transparency presents unique benefits and challenges. It is thought that transparency can increase the cost of unethical behaviour but cannot necessarily eliminate it. Moreover, public information can be misused or misinterpreted. And as Florini (1998) points out, transparency can reveal behaviour but not always intent. It also removes ambiguity that otherwise conceals conflicts or minimises disagreements (Florini, 1998). Finally, transparency can draw attention to contentious issues that serve to highlight the diverging interests of stakeholders.

Organisations use secrecy for many purposes (for example, see Goffman, 1956) but the underlying motives are usually to exert control or reduce exposure to loss (Florini, 1998; Keane, 2008). Controlling information through secrecy is thought to help organisations maintain competitiveness and achieve strategic goals such as profit maximisation and stability (Nadel, 1975). It does this by protecting corporate strategies and other proprietary information from rival organisations (Keane, 2008). According to Hannah (2007), secrecy is also a "reliable" instrument for safeguarding organisations from intellectual property theft and copying. Finally, secrecy gives organisations greater freedom to pursue unpopular or risky strategies that benefit the organisation but might otherwise be poorly received by stakeholders (Dufresne & Offstein, 2008).

However, organisational secrets are difficult to safeguard since they reside with individuals and not organisations (B. Anand & Galetovic, 2005). To protect secrets, organisations often compartmentalise valuable information so that individuals have partial information but lack the "complete picture" (Dufresne & Offstein, 2008). They also employ administrative protections like formal policies and contractual agreements to preserve secrecy (Liebeskind, 1997; Zugelder, Champagne, & Maurer, 2000). These secrecy-driven measures can successfully discourage information sharing but they can also be blunt tools, obstructing the transfer of knowledge even when it can be organisationally desirable (Granovetter, 1985).

While organisations can be secretive about many things, this research focuses on one type of organisational secrecy – secrecy surrounding information about employees' pay or as it is commonly called "pay secrecy". The following section turns to an examination of pay secrecy.

Definitions and Characteristics of Pay Secrecy

Pay secrecy is one form of organisational secrecy. Lawler (1965a) first coined the phrase "pay secrecy" in the 1960s. Since then, the term has been used in the literature to describe the organisational policy and practice of being secretive about pay information (for example, Bartol & Martin, 1989; Burroughs, 1982a; Colella et al., 2007).

Overtime, the terminology used to describe this phenomenon has varied. Some researchers have adopted the alternative terms of "pay transparency" (see Bamberger & Belogolovsky, 2017; Bol, Kramer, & Maas, 2016; Friedman, 2014; Hartmann & Slapničar, 2012; Trotter, Rawson Zacur, & Stickney, 2017) and "pay communication" (see, Day, 2007, 2012; Marasi & Bennett, 2016; Scott, 2019). Both names are interchangeable with "pay secrecy" and capture differences in the degree to which organisations permit employees' to access and self-disclose pay information.

In this study, pay secrecy is conceptualised as organisational policies that limit pay disclosures to employees and rules that prohibit the sharing of pay information between employees (Smit & Montag-Smit, 2019). Both forms prevent employees from comparing pay outcomes: the former restricts the level of pay information that organisations disclose to employees while the latter uses the threat of punishment to prevent employees from disclosing pay information to each other.

Organisations must decide on the level of secrecy that they will adopt about two dimensions of pay: pay processes and pay outcomes (Arnold et al., 2018; Day, 2012). Pay processes refer to business processes related to the payment of employees. Davenport and Short (1990, p. 12) define business processes as “logically related tasks performed to achieve a defined business outcome”. Pay outcomes describes monetary payments to employees by organisations. These can relate to base pay, increases in pay, performance-related pay and other variable payments or bonuses (Arnold et al., 2018). Following the tradition of prior research, this research is primarily concerned with pay secrecy in relation to pay outcomes.

Early research treated pay secrecy as absolute: pay was either secret or transparent. However, scholars now suggest that it operates along a continuum (Colella et al., 2007). At each end, organisations either conceal all pay information or practice full pay disclosure. When organisations are transparent, they openly communicate about pay and do not impose rules that prevent employees from sharing pay information. In these circumstances, employees can determine the relative value of their contribution to organisations (Hartmann & Slapničar, 2012). Most organisations fall somewhere in-between these two extremes: organisations might for example, share information about pay processes but be secretive about pay outcomes (Colella et al., 2007; Lawler, 1981, 2003). Taking into account this evolving understanding of pay secrecy, this research also conceptualises pay secrecy as existing along a spectrum rather than being a dichotomous variable defined by either complete secrecy or transparency. This definition is also consistent with the work of other scholars who suggest that pay secrecy comprises multiple dimensions (for example, Colella et al., 2007; Day, 2007, 2012; Marasi & Bennett, 2016).

Pay secrecy policies can be implicit, explicit or a combination of both (Colella et al., 2007). Organisations practice pay secrecy by verbally instructing employees or through written policies or rules that set standards of conduct in relation to the disclosure of pay information (Bierman & Gely, 2004; Day, 2012). These formal policies and rules can describe the punishment that employees may face if they violate the norms of pay secrecy. To secure employee cooperation, organisations use unofficial sanctions (Edwards, 2005), penalties or termination (Day, 2012). According to Bierman and Gely (2004), pay secrecy policies and rules are commonly documented in employment manuals.

In other instances, there might be unspoken or tacit agreements among managers and employees to keep pay information secret (Lubit, 2001). Whatever its form, organisations are understood to take compliance seriously (for example, see Balkin & Gomez-Mejia, 1985; Hrnext.com, 2001). Shields et al. (2009) reported that over half of surveyed Australian organisations would punish or actively discourage employees from disclosing their pay.

Sometimes organisations tailor pay secrecy policies and procedures to groups of employees, depending on differences in legislative requirements or the type of work that they perform. Bierman and Gely (2004) suggest, for example, that organisations apply stricter pay secrecy rules to HR practitioners and payroll personnel who safeguard compensation plans and data. Likewise, in countries such as Australia, publicly listed organisations are required by law to publish the pay of executives but not that of other employees. This study excludes these exceptions by focusing on pay secrecy policies that apply to non-executive employees in the private sector.

Section Two: Pay Secrecy Research

The following discussion summarises the pay secrecy literature. It begins by outlining the main studies that investigate how pay secrecy affects employees and managers. This body of research accounts for most of the existing knowledge around pay secrecy but its findings are generally mixed (for example, Bartol and Martin 1989; Burroughs 1982; Pfeffer and Langton 1993). Next, the discussion presents the available research about why pay secrecy develops. It distinguishes the reasons why some organisations adopt pay secrecy from the reasons that other organisations do not. This research is shown to be fragmented and poorly supported by empirical evidence. Many of the explanations provided are based on previously reported effects of pay secrecy rather than being the product of investigations into the perspectives of organisational stakeholders that make these decisions. The review also highlights the lack of empirical evidence showing how organisations implement pay secrecy. This discussion emphasises the need for further research.

Pay Secrecy Outcomes

Pay Secrecy and Employees

The first research on pay secrecy emerged during the 1960's with the release of Lawler's seminal paper examining the effect of pay secrecy on employees' pay comparisons. Until then, pay secrecy was commonly assumed to minimise workplace dissatisfaction and conflict by preventing employees from comparing pay (Leventhal et al., 1972). However, Lawler (1965b) observed that pay secrecy did not discourage employees from making pay comparisons with each other. Instead employees substituted colleagues' real pay with estimates (Lawler, 1965b, 1967). Typically, these guesses were unreliable:

employees tended to underestimate the pay of people in more senior positions and overestimate the pay of people in more junior positions (Lawler, 1965a). Lawler concluded that this created more pay dissatisfaction. When people underestimate their superiors' pay and overestimate their subordinates' pay, as Lawler (1965a) discovered, they undervalue the monetary gains from promotions and so are likely to feel undercompensated.

Lawler's (1965b) second study shortly afterwards supported his conclusion by showing that employees were more likely to feel underpaid when they believed that the pay gap between themselves and subordinates was small (Lawler, 1965b). These results led Lawler to recommend that organisations adopt pay transparency in order to prevent employees from making inaccurate pay comparisons that could lead to dissatisfaction.

Opsahl (1967) however, challenged Lawler's position by arguing that accurate pay information does not, of itself, guarantee that employees feel pay satisfaction. Pay transparency, he countered, can highlight actual pay inequity that equally threatens employees' pay satisfaction and group cohesion. The argument Opsahl (1967, p. 213) presented however, was untested and as he remarked, the question of whether pay secrecy was preferable to pay transparency had "not received a sufficient amount of research for a definitive answer".

Lawler's results and Opshal's critique raised new questions about how pay secrecy (and transparency) affects employees' equity perceptions and their subsequent pay satisfaction. Two survey-based studies by Milkovich and Anderson (1972) and Mahoney and Weitzel (1978) also tested the effects of pay secrecy on people's pay perceptions and pay satisfaction. Both studies confirmed Lawler's (1965a) findings that people overestimate their subordinates' pay and underestimate their superiors' pay. However, the researchers disagreed with Lawler about the effects of inaccurate pay estimates on employees.

Milkovich and Anderson (1972) found instead that people do not experience pay dissatisfaction when they under-estimate subordinates' pay and over-estimate managers' pay. Further, their study showed that, contrary to expectations, people who correctly estimate salaries are most – not least - dissatisfied with pay. However, as Milkovich and Anderson (1972) pointed out, actual salaries in their sample organisation may have, in fact, been inequitable, leading those who most accurately estimated salaries to feel the most dissatisfied.

In a second survey-based study, Mahoney and Weitzel (1978) reported similar results. They also found that the accuracy of employees' pay perceptions does not affect their pay satisfaction as Lawler originally suggested. Together, the two studies rejected Lawler's original argument that accurate information about pay differentials first, improves pay satisfaction and second, incentivises individuals to seek promotion through better performance (Lawler, 1965a). The conflicting results prompted new studies - first by Thompson and Pronsky (1975) and then by Futrell and Jenkins (1978) - that confirmed Lawler's original finding that pay secrecy negatively affects employees' pay satisfaction. However, the findings reported by Thompson and Pronsky (1975) were limited by the characteristics of their sample. They compared the pay satisfaction of employees in two firms that practiced different levels of secrecy in respect to some pay information but were equally secretive about peer pay. As a consequence, their study could not fully compare the effects of secrecy and transparency on pay satisfaction.

While a great deal of research examines the relationship between pay secrecy and pay satisfaction, scholars have also measured the effect of pay secrecy on employees' performance. Two early empirical studies reported that pay secrecy negatively affects employees' performance by blocking pay signals that stimulate performance (Futrell & Jenkins, 1978; Lawler, 1965b). This is particularly true for pay-for-performance programs since employees cannot compare pay. When pay is secret, token pay increases awarded to low performers can be misinterpreted as signs of good performance. Meanwhile, better performing employees are unaware that they are paid more than others (Futrell & Jenkins, 1978). Pay secrecy is also believed to weaken the link between pay and performance because individuals underestimate the higher salaries associated with more senior roles (Colella et al., 2007). This supports earlier conclusions by Lawler (1965a,b) that pay secrecy reduces pay's power to motivate performance. For similar reasons, pay secrecy is also negatively correlated with work satisfaction as well as satisfaction with organisational promotion policies (Futrell & Jenkins, 1978).

Researchers have also investigated how employees respond to the quality and quantity of pay information available. Pay communication effectiveness is positively related to employee engagement, business results (Shields et al., 2009), job satisfaction and organisational satisfaction (Mulvey, LeBlanc, Heneman, & McInerney, 2002). However, increasing general knowledge about pay systems (that is, how pay is determined) does not necessarily improve pay satisfaction (Day, 2007). Employees do not report higher pay satisfaction, for example, when they know the pay scale for their position or understand how their pay is set (Day, 2007). The effects of pay disclosure on employees then, seems to depend on the nature of the pay information revealed.

Intuitively, pay disclosure should increase the perception that pay is equitable or based on performance (Lawler, 1971, 1981). When pay is transparent, employees can observe good performers being rewarded with higher pay. But the effect of transparency seems to depend on the type of pay decisions that open communication reveals. Two empirical studies show that individuals perceive a stronger performance-reward relationship under pay secrecy than under pay transparency (Day, 2007; Thompson & Pronsky, 1975). Pay disclosure can expose pay inequities (Thompson & Pronsky, 1975) and make perceived unfairness more likely, since unavoidably, all pay systems contain some subjectivity or bias (Gomez-Mejia & Balkin, 1992; Sim, 2001).

This may also explain why employees express greater satisfaction with managers when pay is secret (Futrell & Jenkins, 1978). Public pay systems expose managers' performance evaluations and pay recommendations for staff. Employees can become dissatisfied with managers if they disagree with these decisions (Futrell & Jenkins, 1978).

Logically, pay secrecy should positively affect peer satisfaction and group cohesion in a similar way because it de-emphasises pay disparities that can fuel animosity between co-workers (Opsahl, 1967). Keeping pay confidential insulates employees from observed inequalities that can give rise to reduced work effort (Nosenzo, 2013), lower levels of cooperativeness and decreased trust (for example, Greiner, Ockenfels, & Werner, 2012; Hargreaves, Tan, & Zizzo, 2013).

However, pay secrecy may not eliminate all problems associated with pay-based envy between employees. In a theory paper, Bartling and Von Siemens (2010) posit that pay secrecy does not reduce pay-related envy since employees do not need to directly observe co-workers' pay in order to experience it (Bartling & Von Siemens, 2010). Simply believing that an unfavourable pay disparity exists can trigger these feelings (Bartling & Von Siemens, 2010).

There is little empirical evidence either way, but a survey-based study by Futrell and Jenkins (1978) demonstrates that pay secrecy does not lead to higher peer satisfaction. A caveat needs to be added however. Their sample comprised salespeople whose individual performance could be observed and measured. This is not necessarily representative of modern workplaces where decentralisation, greater team collaboration and increased interdependence between employees can blur differences in performance (Griffin, Nealand, & Parker, 2017).

Recent empirical research reports that pay secrecy has other adverse effects on the behaviour and attitudes of employees. Using survey data, Marasi et al. (2018) showed that pay secrecy increases workplace deviance, decreases organisational citizenship behaviours and lowers justice perceptions. The authors concluded that pay transparency, by comparison, encourages altruistic behaviour by employees that can raise productivity.

However, the effects of pay secrecy on employees are not fixed and can vary between individuals (Colella et al., 2007). Experimental research, for example, indicates that pay secrecy negatively affects the performance of individuals with low tolerance for inequity but improves the performance of individuals with high tolerance for inequity (Bamberger & Belogolovsky, 2010).

The reactions of employees to pay secrecy also depend on their pay relative to others (Card et al., 2012). Using economic modelling and survey data, Card et al. (2012) demonstrates that pay secrecy lowers pay satisfaction and increases leaving intentions among employees earning below-medium wages. High earners, however, experience no change in pay satisfaction, job satisfaction or leaving intentions (Card et al., 2012). From this pattern, the authors conclude that overall, organisations are likely to fare better under pay secrecy but concede that their study did not measure the relative size of these effects on actual employee turnover or organisational earnings (Card et al., 2012).

Acknowledging this limitation, Habibi (2018) used economic modelling to demonstrate that the asymmetric effects of pay transparency on low and high paid employees does not necessarily infer that pay secrecy is better. Theoretically, organisations can benefit from pay transparency provided that the productivity gains from paying good performers well outweighs the costs incurred when lower paid employees reduce their effort or leave.

Recent field-based research indicates that the relationship between pay secrecy and employee turnover is also more nuanced. Rather than having a direct effect, pay secrecy indirectly influences employees' turnover decisions through its effect on their levels of organisational trust (Alterman et al., 2020). Using two studies, Alterman et al. (2020) show that employees' combined perceptions of pay secrecy and distributive justice inform their impressions about their organisations' trustworthiness, which in turn, influences their leaving decisions.

Researchers have also tested the relationship between pay secrecy and cooperation between employees. An experimental study by Bamberger and Belogolovsky (2017) found that when pay information is secret, employees are more likely to help one another because they are insulated from pay variations that cause feelings of envy. However, the relationship between pay information and employees' helping behaviours varies depending on social values: employees that hold individualist values (compared to pro-social values) are more likely to experience envy when pay is transparent, and subsequently reduce their helping behaviours. Like earlier, the results emphasise the role that individual differences play in determining how employees respond to pay secrecy. However, the study is limited by its narrow measurement of helping behaviour: the researchers only tested “solicited” or requested helping behaviour (Bamberger & Belogolovsky, 2017). It is unclear how pay information changes the unsolicited or spontaneous helping behaviours of employees or how it affects their levels of cooperation in other ways.

Finally, a new field study by SimanTov-Nachlieli and Bamberger (2020) also suggests that pay secrecy affects employees differently depending on whether the secrecy relates to pay outcomes or pay processes. Transparency about pay proceses is shown to reduce counterproductive workplace behaviours (CWB) by employees however, transparency about pay outcomes can increase CWB for those employees who believe they are underpaid. These results parallel the earlier work of other reserachers suggesting that employees respond differently to pay secrecy depending on how well they are paid (for example, Card et al., 2012).

This section summarises past research into the effects of changes in pay secrecy on employees which represents the majority of studies in the pay secrecy literature. It highlights the general lack of agreement among scholars about whether pay secrecy produces positive or negative changes in the way employees think and behave. The review shows that while there is substantial research, there have generally been two methods used to measure these effects: experimental studies and survey-based studies. Qualitative research providing in-depth investigation and analysis is largely missing from the pay secrecy literature. This has limited theory development since qualitative techniques like case studies can help researchers "look beyond initial impressions and see evidence through multiple lenses" (Eisenhardt, 1989, p. 533).

Pay Secrecy and Managers

A great deal of the pay secrecy literature explores how pay secrecy affects employees but research has also investigated how pay secrecy affects the pay decisions of managers. From this literature, it appears that pay decisions are not stable and that managers change how they allocate pay depending on whether their decisions are secret or transparent (Kidder et al., 1977; Lawler, 1971, 1981).

Taken together, the studies form a pattern showing that individuals generally allocate rewards equitably in secret and equally in public (Leventhal et al., 1972; Major & Adams, 1983). Under secrecy then, individuals allocate rewards based on performance. (Leventhal et al., 1972). Researchers observe that the gap between the rewards of the highest and lowest performers is large as well as the gap between the rewards of intermediate performers (Leventhal et al., 1972). Together, this creates a wider dispersion of rewards across groups when there is secrecy.

In public however, reward allocation is more equal. The spread of rewards becomes compressed such that the reward differentials between the best and worst performers are smaller (Leventhal et al., 1972) as well as between average performers (Major & Adams, 1983). Reward compression occurs because managers inflate the rewards of poor performers at the expense of good performers (Major & Adams, 1983). The tendency to overcompensate inferior performers is so strong that individuals disadvantage themselves to do so (Major & Adams, 1983). An experimental study by Major and Adams (1983) shows that when reward decisions are public, individuals reduce their own rewards to overcompensate lower performing work partners. This behaviour does not occur when reward decisions are secret.

Taken together, the available research suggests that reward allocation decisions change when public because these decisions are more likely to be reviewed by others (Pfeffer, 1981). One explanation is that managers worry about people's reactions to reward decisions (Bartol & Martin, 1989; Leventhal et al., 1972; Major & Adams, 1983; Shapiro, 1975). When rewards are public, managers equalise rewards across a group to manage the impressions of recipients (Major & Adams, 1983), minimise group dissatisfaction and reduce the likelihood of conflict (Leventhal et al., 1972). Here, there is an implicit assumption that individuals equalise rewards because they anticipate negative reactions to reward differences (Leventhal et al., 1972). This is supported by psychology-based research showing that people avoid delivering negative news to others (e.g. Tesser & Rosen, 1975).

The pattern of over-rewarding low performers in public suggests that managers are most concerned about how low performers react to reward decisions. There is some evidence to support this. Experimental research by Leventhal et al. (1972) reveals that individuals prefer to keep relative reward information secret from inferior performers who receive a small share of rewards (Leventhal et al., 1972). Under secrecy, low paid recipients cannot compare rewards, making them less likely to express dissatisfaction. By contrast, they care less about publicising their reward decisions to high performers who receive above-average rewards (Leventhal et al., 1972).

To some extent, public reward decisions are influenced by the wish to preserve good relations. Major and Adams (1983) reported that when decisions are public, individuals divide rewards evenly between themselves and others if they have an ongoing relationship. No effect was found when reward decisions were secret. This confirms earlier research showing that managers reward participants equally for uneven performance whenever they have an existing relationship with recipients (Morgan & Sawyer, 1967; Wiggins, 1966) or where future interaction with recipients is likely (Shapiro, 1975). In these studies, allocations were public and ongoing relationships existed between participants although they did not explore the effects of secrecy as well. For example, in a study by Morgan and Sawyer (1967), participants were classmates. In another study by Wiggins (1966), participants believed they would spend time together over 12 days. Both experiments also featured group allocation decisions. Evidence shows that reward decisions made by groups reflect the preferences of high performers in the groups (Cohen, 1974). This may explain the equal distributions in these studies since high performers prefer equal reward outcomes when future interaction is likely (Shapiro, 1975).

Nonetheless, the effect that the likelihood of future dealings can have on reward decisions varies. Only high performers distribute rewards equally between themselves and underperforming work partners when future interaction is likely (Shapiro, 1975). Poor performers meanwhile divide rewards equitably regardless of the chance of future interaction. As Shapiro (1975, p. 874) explains, “persons may allocate rewards in a manner which would lead to social approval on the part of persons being affected by the allocation.”

Based on the available research, managers make different reward decisions under public and secret conditions. And while a general trend emerges, behaviour is not uniform. In an experimental study, Bartol and Martin (1989) reported that reward decisions only change under public and secret conditions when managers receive pay demands from critical employees whom they depend on. They found that managers increase a critical employee's pay when pay is public but not when it is secret: managers recognise that they are vulnerable to these employees because they rely on them to complete tasks (Dirks & Ferrin, 2002). In public, managers use pay rewards to secure cooperation from critical employees. They are less sensitive to pay demands from critical employees when pay is secret.

Research by Kidder et al. (1977) suggests that gender changes the way people allocate reward decisions under public and secret conditions. In their experimental study, females were more likely to ignore differences in performance and divide rewards equally with co-workers when reward decisions were public and future interaction was expected. Conversely, males allocate rewards equitably in public but more equally in private or when there is no expectation of future contact (Kidder et al., 1977). Mayer Hacker (1951) speculated that secrecy frees males to abandon masculine social conformities like competitiveness. However, the finding was at odds with other studies showing no gender difference between public and secret reward decisions (for example, Leventhal et al., 1972; Major & Adams, 1983; Shapiro, 1975). As Major and Adams (1983) reasoned, the findings reported by Kidder et al. (1977) could reflect their unique experimental design which included nonzero-sum allocations and involved participants rewarding fictional points rather than money.

Overall, the small number of studies available test the effects of pay secrecy on managerial pay allocations in laboratory settings. Findings from these studies are limited by the use of student samples (for example, Kidder et al., 1977; Morgan & Sawyer, 1967; Shapiro, 1975; Wiggins, 1966) and experimental designs that do not mimic actual pay decision conditions. Participants were often asked, for example, to divide pay between themselves and others after comparing their relative task performance (for example, in Major & Adams, 1983; Kidder et al., 1977; Shapiro, 1975). This proposition differs substantially from typical pay allocations in which managers divide pay only between subordinates and do not personally gain or lose from the allocation decision.

The lack of field research studying pay secrecy in real-life organisational settings has also been an issue. However, a recent quantitative study by Mas (2017) explored the effects of pay secrecy on pay decisions at an institutional level by investigating why pay structures change after organisations introduce transparency. At a general-level, the results reported by Mas (2017) confirm earlier findings showing that transparency leads to smaller pay dispersion among employees. Using governmental wage data, Mas (2017) found that pay compression (that is, pay equality) occurs when downward pressure is placed on the wages of the highest paid employees. Two factors were found to contribute to this trend: the increased accountability of officials for their pay decisions and the public's disapproval of wages that are perceived as being excessive. Taken together, Mas (2017) suggested that these factors resulted in greater public scrutiny of pay decisions that lead officials to reduce wage differentials between high and low paid workers.

This discussion reviewed the existing research into outcomes associated with pay secrecy. Much of this research focuses on identifying and measuring the effects of pay secrecy on employees, and to a lesser extent, on managers' pay decisions. The review highlighted a general lack of agreement among scholars. Rather than focusing on these debates, this research addresses why and how organisations implement pay secrecy. Capturing the organisational perspective is important for understanding the persistence of pay secrecy policies. The next section delves into the literature that explores the reasons that organisations adopt, and sometimes, avoid pay secrecy.

Organisational Rationales for Pay Secrecy Policies

Explanations for Pay Secrecy Policies

A range of possible explanations have been put forward by researchers and practitioners as to why organisations implement pay secrecy. These explanations can be arranged into seven categories: (1) organisational competitiveness; (2) cost minimisation; (3) control of employees; (4) employee satisfaction and morale; (5) managerial preferences; (6) privacy protection; and (7) organisational structure and setting. A brief summary of each explanation is presented below.

Economists have centred explanations for pay secrecy on labour market competitiveness. Danzigeer and Katz (1997) suggest that organisations implement pay secrecy to prevent valued employees from resigning. Their theoretical model posits that pay secrecy makes it harder for high performers to identify better paying job opportunities elsewhere (Danzigeer and Katz, 1997) while also safeguarding wage information from other firms who might otherwise offer higher wages to poach employees (Sim, 2001). Pay secrecy also allows organisations to pay high performers well without alerting other employees (Danzigeer and Katz, 1997). This tactic keeps high performers engaged but minimises wage claims from others. In each case, organisations capitalise on labour market opportunities created from information asymmetry between themselves, employees and competitors.

However, as Lavie and Robin (2008) point out, these explanations assume stable competition in employment markets. Using an alternative economic model, Lavie and

Robin (2008) propose that organisations adjust pay secrecy levels depending on the supply and demand for labour. Organisations may behave as Danziger and Katz (1997) predicted when competition for labour is high, however, when competition is low (and recruitment is easier), organisations feel less need to be secretive (Lavie & Robin, 2008). Both papers offer potential insights but are empirically untested.

In other research, Bierman and Gely (2004) suggest that organisations implement pay secrecy to protect proprietary compensation plans. Organisations make significant investments in the design of compensation plans in order to retain and recruit talented employees (Bebchuk, Fried, & Walker, 2002). In Bierman and Gely's (2004, p177) view, pay secrecy policies reflect "legitimate concerns" to preserve the competitive gains that these plans provide. However, the authors give no empirical evidence for their conclusion.

Other management scholars posit that organisations implement pay secrecy to minimise costs. Brickley, Smith, and Zimmerman (2000) argue that pay transparency creates fallout costs stemming from political behaviour and conflict with dissatisfied employees. By contrast, keeping pay secret reduces the threat of lost productivity and wage demands resulting from industrial action. However, it is unclear whether pay secrecy has this effect or if these concerns motivate organisations to implement pay secrecy. Experimental economic research indicates that pay transparency does not significantly increase pay claims or lower effort as anticipated. Non-executive employees are more sensitive about their own pay than about co-workers' pay (Bartling & Von Siemens, 2010; Charness & Kuhn, 2005) and so the effect of transparency on total labour costs is small. Charness and Kuhm (2005) report that transparency causes organisations to reduce pay differentials between employees but total wage costs do not change.

A third explanation is that organisations implement pay secrecy to control employees' behaviour. Gibbs (1991) theorises that organisations manipulate pay information to manage employee motivation. This "smoke and mirrors" approach allows organisations to tactically withhold or release pay information (Vancil & Buddrus, 1979). According to Gibbs (1991, p. 34), organisational decisions to disclose pay information depend on the "observability of performance". That is, organisations are more inclined to withhold pay information when employees cannot easily gauge their relative performance or fully understand their contribution to the organisation. Conversely, organisations are posited to release pay information when employees can reasonably monitor their performance and that of their co-workers. In other words, organisations use optimal signalling about pay to motivate workers. However, empirical evidence confirming Gibb's theory is unavailable.

Gibb's observations are consistent with Colella's comments about organisational control. Preserving a peaceful, harmonious environment is believed to be one method that organisations use to control employees (Colella et al., 2007). Indeed, preventing conflict is a popular rationale given for pay secrecy (Gomez-Mejia & Balkin, 1992; Steele, 1975). Researchers suggest that knowledge of pay differentials causes interpersonal conflict among employees (Bierman & Gely, 2004; Leventhal et al., 1972). Pay secrecy then, is perceived as a form of organisation paternalism (for a review, see Colella et al., 2007) whereby organisations make decisions to limit employees' pay knowledge in their supposed interests (Colella & Garcia, 2004).

It has also been suggested that organisations use pay secrecy to improve the satisfaction and morale of employees. According to researchers, pay secrecy minimises employee dissatisfaction by preventing unfavourable pay comparisons among employees (Leventhal et al., 1972). How an employee's pay compares to others can negatively impact job satisfaction (Card et al., 2012). However, the degree to which pay secrecy safeguards against this problem is unclear. Pay secrecy reduces employees' access to pay data but it does not entirely prevent employees from making pay comparisons. To give one example, employee speculation about supervisors' pay – whether accurate or not – can have an equally adverse effect on pay satisfaction (Lawler, 1965a) which in turn, is linked to decreased organisational performance (Currall, Towler, Judge, & Kohn, 2005).

Some researchers also point to managerial preferences as determinants of pay secrecy. Earlier, it was suggested that pay secrecy minimises conflict by concealing pay disparities from employees. When pay transparency brings the threat of conflict, organisations are believed to enforce pay secrecy simply because managers "prefer to enjoy the quiet life" rather than to constrain costs (Bertrand & Mullainathan, 2003 quoted in Charness & Kuhn, 2005, p.6). Avoiding sources of conflict can also be an important consideration for managers' wishing to preserve positive working relationships (Bertrand & Mullainathan, 2003). Pay secrecy is believed to reduce conflict between supervisors and employees which might otherwise inhibit supervisors in their managerial duties. Scholars theorise that pay secrecy gives managers flexibility to reward performance because it frees them from fears of retaliation. As Bowman and Stevens (2012, p. 482) explain, "for leaders to be responsible, they need the freedom to act, unfettered by the negative results of disclosure." In other research, evidence of wage decisions during firm acquisitions suggest that managers make pay-related decisions in anticipation of employees' reactions (Bertrand & Mullainathan, 2003). It also gives managers the flexibility to make pay corrections -

especially when pay inequity is identified - without altering employees and causing them upset (Gomez-Mejia & Balkin, 1992).

The idea that organisations adopt pay secrecy because employees respond negatively to pay outcome information – particularly when it highlights differences in pay among co-workers – has been heavily emphasised in the abovementioned pay secrecy literature. There are problems with this theory. First, organisational decisions about pay secrecy can be affected by other factors, including the culture of the organisation, prevailing practice within that industry or by the pressures of competition. Prior research shows for example, that organisational culture can influence managerial decisions about how information is communicated and presented (for example, Brown & Starkey, 1994). Concerns about employees' responses to pay information need to be considered in the wider context by exploring other organisational considerations and environmental factors.

A second concern is that these explanations do not provide much insight into the reasons why pay secrecy is believed to prevent negative employee-based outcomes. The way employees respond to pay information can be influenced by individual-level factors such as equity sensitivity (Bamberger & Belogolovsky, 2010)[4]. Additionally, employees' reactions can depend on the quality of pay decisions which of themselves can be affected by many factors. Organisations might for example, expect employees to respond negatively when pay decisions are not evidenced-based or when pay falls below industry-averages.

Another explanation for why organisations implement pay secrecy is the protection of employees' privacy (Colella et al., 2007). Management research in other areas show that

[4] Equity sensitivity describes the degree to which individuals experience dissatisfaction when they are underpaid or overpaid (Huseman, Hatfield, & Miles, 1985).

employees' general perceptions of privacy positively affect their satisfaction and organisational commitment (Sundstrom, Burt, & Kamp, 1980). Using this research, scholars surmise that employees prefer confidentially and that organisations implement pay secrecy to pacify employees. However, evidence about employees' pay secrecy preferences is inconclusive. Survey-based research shows that people perceive conversations about income as being highly intimate (Fox & Leshem, 2004). However, it is uncertain whether most employees prefer pay secrecy (for example, see Edwards, 2005; Schuster & Colletti, 1973). A recent experimental field study by Cullen and Perez-Truglia (2018, p. 7) reveals "a large heterogeneity in preferences for salary privacy, with some individuals willing to pay to reveal their salary to peers rather than conceal it". Critically though, researchers have not empirically demonstrated that organisations implement pay secrecy to satisfy employees' preferences for privacy. Possibly because researchers have lacked a reliable measure for capturing employee's preferences for sharing pay information. Recently Smit and Montag-Smit (2019) have developed such a measure, opening up new opportunities for empirical research.

Making a similar argument, Bierman and Gely (2004) speculate that organisational pay secrecy is the result of social norms which regulate the willingness of employees to openly talk about pay. Their theory paper argues that pay secrecy rules implemented by organisations only serve to legitimise employees' existing confidentiality preferences and behaviours. Pay secrecy rules are necessary, however, because they assist organisations to compel a minority of pay disclosing employees to comply with the pay secrecy preferences of the majority (Bierman & Gely, 2004). Edwards (2005) questions whether social norms can explain pay secrecy in all organisations as social norms are likely to vary across settings. Suppositions in both papers remain untested. Although, more recently, researchers have again posited that pay secrecy is the product of organisational norms that discourage employees from sharing pay information (for example, Marasi et al., 2018; Smit & Montag-Smit, 2019).

Finally, organisational structure and setting have also been associated with pay secrecy decisions. Balkin and Gomez-Mejia (1990) trace pay secrecy policy decisions to organisational complexity and pre-existing business practices. Their empirical study reported that organisations with well established, highly complex structures favour pay secrecy policies whereas single-product organisations communicate more openly about pay. They suggest that pay secrecy strategies are aligned with a set of distinct compensation practices. Organisations practising pay secrecy are characterised by bureaucracy and highly prescriptive policies and procedures which coincide with what Balkin and Gomez-Mejia (1990) describe as an "algorithmic" compensation approach. They also report that single-product organisations are more likely to adopt experimental approaches to pay (including transparency) – due again to less complexity across their business.

Explanations for Pay Transparency (Non-Secrecy) Policies

Many of the abovementioned rationales seek to identify factors that drive organisational decisions to implement pay secrecy. Pay secrecy research has overlooked the "other side" of the secret-transparent decision, having concentrated on the costs of pay transparency with little interest in the benefits. In other words, pay secrecy research does not consider the underlying reasons why some organisations intentionally implement pay transparency (no or low levels of pay secrecy).

Colella et al. (2007) identify three benefits that organisations derive from pay transparency. First, pay transparency signals that organisations trust employees (Colella et al., 2007). Bowman and Stevens (2012) conclude that pay transparency signals that managers care about employees' interests by reducing managerial exploitation.[5] Their study into pay transparency in the US public sector also reported that advocates of open pay communication associate it with less managerial favouritism and organisational corruption (Bowman & Stevens, 2012).

On the other hand, pay secrecy can be associated with low trust. Employees might interpret pay secrecy as a sign that pay outcomes are prejudiced (Colella et al., 2007) or that organisations have something to hide. Employees' concerns can be exacerbated by secrecy itself which can produce feelings of heightened uncertainty that potentially cause employees to question pay fairness (Colella et al., 2007; Lind & van den Bos, 2002). Colella et al. (2007) speculate that pay secrecy decreases employees' general sense of justice, resulting in negative perceptions of informational justice as well as lower confidence in procedural and distributive justice (Bies & Moag, 1986; Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Thibaut & Walker, 1975).

A second explanation for pay transparency is that it helps organisations communicate a clear link between performance and pay to employees. Employees might be more productive if they believe that they will be rewarded for good performance (Colella et al., 2007). This idea draws on expectancy theory (Vroom, 1964) which suggests that

[5] Although Bowmen and Steven's 2013 study of open pay systems in the US public sector was small, consisting of interviews with five participants.

people feel motivated when they anticipate being rewarded for their efforts. Under secrecy, employees might otherwise see extra effort as a waste of time.

Third, it is suggested that pay transparency improves labour market efficiency by encouraging employees to migrate to firms and jobs that maximise their skills and capabilities (Colella et al., 2007). Pay secrecy on the other hand, creates information asymmetry that prevents employees from recognising better paying job opportunities. By extension, pay secrecy might hamper organisations from recruiting desirable job candidates by failing to communicate pay information that might attract applicants.

To summarise, the literature provides a range of rationales for pay secrecy policies but many of these explanations have not been empirically tested. Moreover, the limited experimental data that are available are outdated (Bowman & Stevens, 2012). The focus has also been one-sided with considerable effort spent examining why organisations adopt high levels of pay secrecy. Evidence about why some organisations adopt pay transparency is notably sparser. There are very few empirical tests and again, these mainly experimental studies compare extreme policies of full secrecy and full transparency. Further, prior research concentrates on the outcomes of pay secrecy policies which are distinct from the determinants of pay secrecy policies. Limited research has tested if organisations actually factor these effects into their pay secrecy decisions or if there are other causes that the literature ignores.

Critically, empirical research has sought to test the effects of pay secrecy policies based on rationales posited by academic scholars. However, management researchers cannot fully evaluate pay secrecy policies without an explicit evaluation of the organisational goals that pay secrecy policies are meant to serve. As discussed earlier, there is little or no prior empirical research that seeks to identify the perspectives of organisations about the reasons and circumstances under which they implement pay secrecy policies. To determine if pay secrecy rules are socially or economically beneficial to organisations and employees, the current research investigates why and how organisations implement pay secrecy policies by seeking the perspectives of managers and HR practitioners involved in making and implementing these policies on behalf of organisations.

Summary

This section reviewed the conceptual and empirical evidence relating to pay secrecy. The review highlights a number of opportunities for further exploration. The effects of secrecy and transparency on employees have received considerable attention but other areas remain largely unexplored.

Notably, there is little research into factors that influence decisions by organisations to implement pay secrecy or pay transparency or how they achieve these policies in the workplace. The literature on pay secrecy decisions suggests that there are potentially multiple or overlapping rationales for secrecy. These can be categorised into rationales relating to employees, managers and organisational factors. However, many of the explanations provided are hypothetical. While the research presents a range of possible motives, the pay secrecy literature has not built a substantive theory to explain why and how organisations make pay secrecy decisions.

Much of the existing research also explains why organisations keep pay secret but does little to address why some organisations choose instead to be transparent. It is possible that these organisations consider different factors when adopting a low pay secrecy policy and might define the success of their policy approach on entirely different terms. The next section outlines a model based on signalling theory to explain why and how organisations implement pay secrecy. It builds on the existing research to develop a theoretical framework for two qualitative studies that can form the basis for investigating these questions.

A final observation is the lack of a cohesive theoretical framework to underpin explanations for pay secrecy in organisations. Equity theory (Adams, 1965) has been widely applied to studies investigating the outcomes of pay secrecy at the individual level of analysis – especially in relation to employees' reactions and managers' pay decisions. In the employee-centred literature, researchers have used equity theory as a basis for explaining how pay secrecy influences employees' beliefs about the equity of pay decisions and how this in turn, leads to a range of attitudes and behaviours by employees. In the manager-centred literature, equity theory has also been used to understand how pay secrecy changes the degree of equity in pay decisions made by managers. The result has been a common narrative around which to frame and interpret research. By contrast, literature exploring organisational rationales for pay secrecy has been fragmented, speculative, and missing a theoretical basis for navigating and interpreting the various theories that researchers have offered to explain why organisations implement pay secrecy.

Section 3: Building A Conceptual Framework

This research seeks to answer two questions: first, why do organisations implement pay secrecy; and second, how do they implement pay secrecy? Literature from management and economics suggest that organisations prefer pay secrecy. However, there is little empirical support for the explanations put forward by researchers. In the following discussion, a conceptual framework for investigating these research questions is laid out.

This framework draws on signalling theory which proposes that people signal information to others when it serves their interests to reduce information asymmetry.

Signalling Theory

To develop a conceptual model to explain how and why organisations implement pay secrecy, this research explores whether signalling theory can usefully explain the pay secrecy rules, practices and behaviours used by organisations with the intention of sending pay secrecy signals to employees, and their underlying reasons for doing so.

Signalling theory falls under the umbrella of game theory which studies how rational individuals strategically interact with others (von Neumann & Morgenstern, 1944). In essence, game theory seeks to identify the actions that decision-makers take in order to maximise their welfare.

Signalling theory was pioneered by economist Michael Spence (1973) and has been applied across diverse disciplines including anthropology, (E. Smith & Bird, 2005) management (Connelly et al., 2011; Hampshire, Hamill, Mariwah, Mwanga, & Amoako-Sakyi, 2017), and sociology (Bacharach & Gambetta, 2001; Gambetta, 2009; Gambetta & Hamill, 2005). Although Spence is noted for developing the theory, signalling concepts appear in the work of earlier theorists. Before Spence, social theorists such as Veblen (1899, p. 33) argued that people engage in "conspicuous consumption" and purchase luxury goods to signal their wealth and status.

Signalling theory explains how communication works whenever information asymmetry is present. In these situations, individuals or groups possess information that others do not (Akerlof, 1970) or as Gambetta (2009, p. 168) puts it, "when the signaller is better positioned to know the truth then the receiver." Information asymmetry occurs whenever people withhold information or do not communicate clearly with others. According to signalling theory, signallers - those holding the information - attempt to resolve this information asymmetry by sending signals. Whelan and Demangeot (2015, p. 1) define a signal as an "action or statement conveying a person's or a firm's capabilities or intentions."

The degree to which signallers intentionally reduce information asymmetry can vary as according to Cotter et al. (2011), signals serve the interests of signallers. Based upon the classic economic principles of rational choice (A. Smith, 1776), signallers weigh up the costs and benefits of reducing information asymmetry before sending signals to others, often called receivers. It follows then, that signals are produced by senders to satisfy a specific purpose so they are intentional rather than random or accidental (Maynard Smith & Harper, 2003). Usually, signallers seek to reduce information asymmetry in order to produce desired behaviours and attitudes in people who receive their signals (Cotter et al., 2011). Receivers respond to, and are influenced by these signals. Like signallers, receivers also seek to improve their circumstances. Because asymmetric information creates uncertainty, receivers use and interpret information contained in "signals" to "fill in the gaps" and reduce perceived risks associated with holding incomplete knowledge.

Managerial Signalling to Employees

Signalling theory recognises that communication from organisations to employees takes many forms, often extending beyond formal methods. Managerial policies, practices and behaviour all send signals to employees. According to Bowen and Ostroff (2004, p. 206), "all HRM practices communicate messages constantly". Even when organisations are not openly communicating, they signal information to employees and job applicants through their observable actions, policies and practices (Bowen & Ostroff, 2004; Dries & De Gierter, 2014; Haggerty & Wright, 2009; McNall, Masuda, & Nicklin, 2010). Sometimes, these messages are interpreted differently among employees, leading to signals of multiple meanings (Guzzo & Noonan, 1994). Employees form beliefs about the behaviours that organisations reward or punish by observing these practices and policies (Guzzo & Noonan, 1994; Höglund, 2012; Suazo, Martínez, & Sandoval, 2011).

Managerial behaviour also sends signals to employees about organisational values. In one empirical study, managers' workload demands and expressions of support for employees, were interpreted as organisational support for work-life balance (Valcoura, Ollier-Malaterreb, Matz-Costa, Pitt-Catsouphes, & Brown, 2011). Similarly, supervisors' observable support for flexible work policies were found to be signs of organisational concern for employees (Eisenberger, Stinglhamber, Vandenberghe, Sucharski, & Rhoades, 2002).

Other studies report that employees' own behaviour and beliefs are shaped by managers' behaviour. Employees regard these managerial behaviours as indicative of what organisations consider important (Pfeffer, 1981) and are inclined to mirror attitudes signalled by managers on a range of issues (Towler, Watson, & Surface, 2014). Empirical research shows, for example, that employees are more receptive toward training when mangers exhibit positive training-related behaviours (Long-Sheng, Ing-Chung, Pey-Lan, & Tsai-Fei, 2012).

A great deal of research uses signalling theory to explain how recruitment programs signal organisational information to job candidates. Investigations into attraction practices identify two types of information that employment branding signals to employees:

instrumental attributes and symbolic meaning. Celani and Singh (2011, p. 227) define institutional attributes as "factual information about the job or organisation such as pay, benefits, working hours, advancement opportunities, and training programs." Symbolic meaning describes characteristics that employees assign to organisations based on the information that they disclose (Celani & Singh, 2011). Both instrumental and symbolic signals are shown to predict job candidates' perceptions of organisational attractiveness (Celani & Singh, 2011; Lievens & Highhouse, 2006).

Researchers have also found that candidates' interviewing experiences influence the impressions that they form about organisations. Job candidates interpret observed recruiter behaviours, for example, as signs of working conditions (Rynes, 1991). They also perceive interviewing consistency (or high "personableness") as indicators of organisational competency (Wilhelmy et al., 2016). Finally, recruiter behaviour indirectly influences signals of organisational attractiveness through their effect on applicants' perceptions of organisational attributes (Turban, Forret, & Hendrickson, 1998).

In other research, organisational policies and practices are shown to signal information about working environments. In two experimental studies, researchers demonstrate that job applicants' perceptions of working conditions are positively related to diversity policies (Williams & Bauer, 1994) and corporate social performance (Turban & Greening, 1997). Specifically, organisational practices relating to employee relations and gender equality are believed to have strong signalling effects (Turban & Greening, 1997).

Similarly, employees interpret HRM-related policies as signs of organisational interest in employees' wellbeing (McNall et al., 2010). In a survey of workers, McNall et al. (2010) found that organisational policies offering flexible working arrangements are positively related to job satisfaction. They suggested that these policies signal organisational concern for employees – a conclusion also drawn by Grover and Crooker (1995). Organisations adopting these policies also signal their willingness to accommodate differences in life circumstances among employees (Ryan & Kossek, 2008).

Sometimes signals from organisational policies can be at odds with signals from managerial behaviour. Ryan and Kossek (2008) observe that positive messages from the adoption of employee well-being policies are weaker when supervisor buy-in is low. Managerial behaviour can also reveal information that organisational policies try to protect. A study by Silzer and Church (2010) reveals that whilst many organisations try to keep the identity of participants in talent management programs secret, many fail because managerial behaviours signal the identity of these employees.[6]

Taken together, the research illustrates how managers' behaviour, expressed attitudes and actions send signals to employees that influence how they act and think in the workplace. This discussion also demonstrates how signalling theory has been applied in previous research to understand and interpret the effects of a range HR policies and practices. In the next section, a conceptual model is presented that applies this research to the study of why and how organisations implement pay secrecy.

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[6] In 2015, Silzer et al. surveyed organisations about the transparency of their Talent Management programs. Two-thirds (66%) of surveyed organisations reported that they withheld the names of program participants but believed that their behaviour signalled this information anyway.

Conceptual Framework

Signalling theory provides a useful theoretical framework on which to build a conceptual model to investigate the research questions of how and why organisations adopt pay secrecy. The previous section reviewed management literature that explores the signalling effects of managerial behaviour, practices and attitudes on employees. This body of research forms the basis for the following conceptual model which uses signalling theory to investigate why and how organisations implement pay secrecy. This proposed model will be applied in the current research to help understand variations in pay secrecy practices by comparing and contrasting stakeholders' experiences of the rationales and ways that organisations implement pay secrecy.

An underlying assumption of this model is that organisations engage in signalling behaviour to promote pay secrecy in the workplace. To implement pay secrecy, organisations must communicate or "signal" their pay secrecy expectations to employees. The signalling literature suggests that three steps occur in any signalling process: the decision by the signaller to send a signal; the delivery or transmission of the signal; and, the receipt and interpretation of the signal (Connelly et al., 2011). This conceptual model (depicted in Figure 1.0) applies the same signalling process by distinguishing three stages: (1) organisational pay secrecy signal decision; (2) organisational pay secrecy signal delivery; and (3) employees' pay secrecy signal response. To answer the questions of how and why organisations implement pay secrecy, this study examines the first two steps in this process (signal decision and signal delivery).

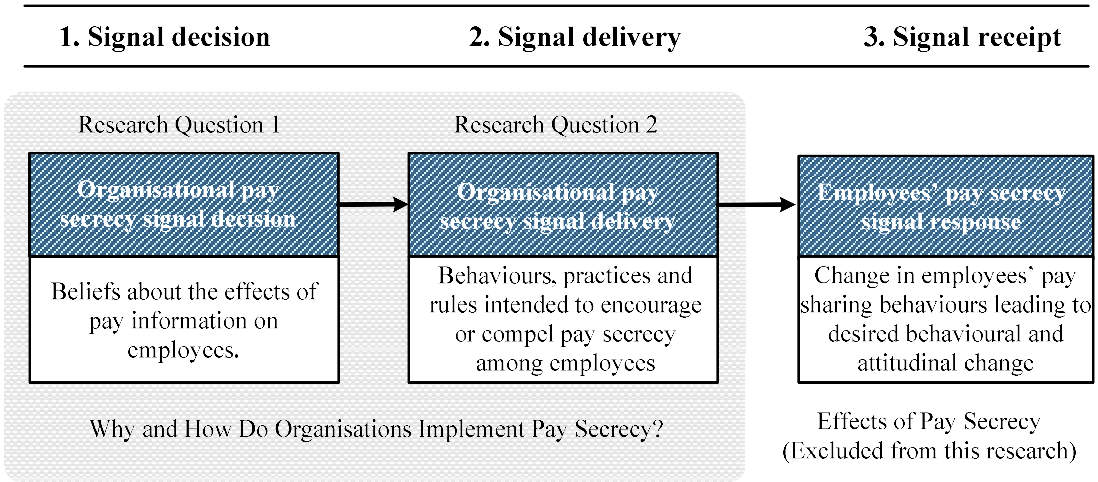

Figure 1. Conceptual Model of Organisational Pay Secrecy Implementation

The "signal decision" stage begins the process. In this first stage, organisations decide whether to send pay secrecy signals to employees. Sending a signal of pay secrecy encourages employees to be secretive about pay; a signal of pay transparency encourages the opposite. Implicit in this model are the assumptions that first, employees have choices about whether or not to share pay information and that second, organisations – by way of the threat of penalty or the encouragement of certain behaviour – inform, and in doing so are likely to influence those decisions.

In the pay secrecy signalling model, organisations are assumed to be rational decision makers who weigh the costs and benefits of signalling before sending pay secrecy signals. According to signalling theory, signals reduce information asymmetry between signallers and receivers (Spence, 1973) and are intended to modify the behaviour of receivers in ways that benefit signallers (Connelly et al., 2011; Cotter et al., 2011). In the economics literature, organisations are shown to signal information to outsiders whenever lowering information asymmetry is advantageous (Cotter et al., 2011). What is considered advantageous varies. For example, organisations signal information to markets to increase their company's value (Cotter et al., 2011) or lower their borrowing costs (Botosan & Plumlee, 2002). Similarly, in this model, management asks: "will a signal of pay secrecy benefit the organisation?" In other words, is it better for employees to have access to information about other employees' pay?

When deciding to signal pay secrecy, organisations predict how employees will behave after they receive the signal. They take into account the possible effects that pay knowledge has on employees' behaviour, and based on this assessment, make a signalling decision that encourages employees to either share or withhold pay information from each other. When considering these effects, it is theorised that organisations consider many factors. A review of the pay secrecy literature suggests that factors influencing organisations' pay secrecy signals might be categorised into three groups: employee-centric, manager-centric and organisation-centric factors. A great deal of the pay secrecy literature concentrates on how pay knowledge affects the attitudes and behaviours of employees. Researchers have theorised that the anticipated negative reactions of employees to pay information may contribute to organisational pay secrecy decisions (e.g. Gomez-Mejia & Balkin, 1992; Steele, 1975). However, the literature also hints at reasons relating to managerial preferences for secrecy (e.g. Bowman & Stevens, 2012; Charness & Kuhn, 2005; Colella et al., 2007) and environmental factors (e.g. Balkin and Gomez-Mejia, 1990; Bierman and Gely (2004).

In the model, stage 2, "signal delivery", captures how organisations transmit pay secrecy signals. It is theorised that organisations send pay secrecy signals to employees in varying forms. Prior research shows that organisations signal information through their policies, practices and behaviour (Grover & Crooker, 1995; Ryan & Kossek, 2008; Silzer & Church, 2010). The pay secrecy literature defines pay secrecy as withholding pay information from employees and prohibiting employees from sharing pay information (Smit and Montag-Smit, 2018). Applying this definition to the conceptual model, it is anticipated that pay secrecy signals comprise managerial rules, practices and behaviours that bring about these two outcomes. Whatever their form, these pay secrecy signals convey expectations to employees about how organisations expect them to treat pay information.

Possibly, pay secrecy signals sent by organisations are not uniform. Instead, organisations might vary their secrecy signals depending on the nature of pay information. There have been suggestions in the pay secrecy literature that pay secrecy policies specifically aim to reduce employees' access to pay outcome information (Bamberger, 2010). This suggests that organisations might be less likely to keep pay process information secret. Taking this into account, the proposed model posits that organisational pay secrecy signals vary between pay outcome information and pay process information. These signals convey different expectations about how organisations expect employees to treat the two types of pay information.

Stage 3 in the diagram – "signal receipt" - represents the outcomes of organisational pay secrecy signalling: the receipt and interpretation of pay secrecy signals by employees. Returning to an earlier point, signalling theory suggest that organisations send signals to elicit desired responses from employees. Researchers have spent considerable effort identifying how pay secrecy affects employees. The degree to which these behavioural changes are caused by organisational pay secrecy signalling lies beyond the scope of this study and presents an opportunity for future research.

In reality, pay secrecy represents the extreme end of a spectrum of organisational signalling about how employees are expected to treat pay information. The opposite – no secrecy or transparency – is the lowest point of the pay secrecy range. In likelihood, most organisations operate somewhere between these points. However, for simplicity and the purposes of illustration, the figure (and the discussion) focus on decisions by organisations to signal complete pay secrecy. However, the signalling process described here equally applies to decisions by organisations to practice pay transparency. In these cases, organisations signal pay transparency expectations to employees to encourage employees to share pay information. When making decisions to signal pay transparency, organisations also consider the costs and benefits of doing so. In the diagram, signals of absolute pay secrecy are interchangeable with signals of pay transparency or with signals lying between these two extremes.

In sum, prior research demonstrates that organisational policies, practices and behaviour play important roles in signalling desired behaviours and attitudes to employees. Using signalling theory, this research proposes that organisations use signalling strategies - through their impact on employees' perceptions about behavioural expectations – to control the flow of pay information in organisations. It posits that pay secrecy signalling by organisations takes a wide range of possible forms and that organisations assess the relative costs and benefits of signalling beforehand. Its focus then, is on identifying the multiple methods that organisations employ to send signals of pay secrecy or pay transparency to employees. Following recommendations from Yin (1989), this theoretical model provides a tool to guide the data analysis in the following two qualitative research projects. Using this approach, the goal will be to test the model using data from two qualitative studies.

Chapter Summary

This chapter reviews pay secrecy and signalling theory literature to provide the background and setting for this study; as well as to establish a link between this research and prevailing knowledge on the topic. The chapter starts by describing why and how organisations use secrecy, introducing pay secrecy as a form of organisational secrecy. Exploring research into the effects of pay secrecy on employees and managers, the discussion summarises research into explanations for pay secrecy. This presents the main rationales suggested by researchers for pay secrecy and describes empirical studies linking pay secrecy to contextual factors. These explanations are shown to be piecemeal and generally premised on an underlying assumption that employees respond negatively to pay information. Recognising that there is limited research and that a more nuanced understanding of pay secrecy is needed, the literature review introduces signalling theory as a way to interpret and understand the pay secrecy decisions and behaviours exhibited by organisations. Summarising prior research that examines signalling behaviour between organisations and employees, the final section introduces a conceptual framework to study pay secrecy through the lens of signalling theory. It suggests that organisations implement pay secrecy by sending signals to employees about how they are expected to treat pay information. It also proposes that organisational decisions to send these signals depend on whether they are likely to produce positive changes in the way employees think and behave. The next chapter presents the methodology that will be used to investigate the research questions using this theoretical framework

CHAPTER III

METHODOLOGY

Introduction

In the last chapter, a review of the literature revealed that most research into pay secrecy has focused on two topics: (1) how pay secrecy affects employees; and (2) how secrecy effects pay decisions. The discussion highlighted our limited knowledge about why and how organisations adopt different levels of pay secrecy. This chapter outlines a methodology for investigating these research questions. Crotty (1998, p. 3) describes methodology as the "strategy, plan of action, purpose or design" sitting behind the selection and use of research methods to investigate a phenomenon.

The following chapter is organised into seven sections. The discussion begins by describing the ontology and epistemology underpinning the research project. A rationale for two qualitative research projects (an interview study and two case studies) is then outlined. For each project, a summary of the sample, method, and analysis are presented. Following this, the chapter critically examines the role of the student researcher before addressing the ethical considerations associated with undertaking the research. The final section summarises the approaches and establishes a link between the two studies.

Ontology and Epistemology

Ontology

Ontology describes the general assumptions that the researcher has made about the "nature of reality" when investigating the phenomenon under study (Hudson & Ozanne, 1988). This research is based on the ontological position of subjectivism. Bryman (2012) describes subjectivism as the assertion that social entities are a product of the perceptions and behaviours of social actors. Social entities are dynamic insofar as interaction between social entities is constantly evolving and changing. Multiple versions of social entities exist due to differences in the interpretations made by different people. In adopting this ontology, the student researcher acknowledges that through her own interpretation and account of the research, she is creating one version of social reality.

Epistemology

Epistemology describes the philosophical grounds, nature and boundaries of knowledge that underpin the research (Crotty, 1998). It defines the assumptions the student researcher has made about her relationship with the reality of the phenomenon under study (Carson, Gilmore, Perry, & Gronhaug, 2001). Both research projects presented here are founded on Interpretivism, which emphasises the importance of the researcher in understanding the subjective meaning of social action. Put another way, interpretivism recognises that facts and events are inseparable from the values and meaning that people attach to them. Research findings therefore, can be influenced and shaped by the researcher's own beliefs, assumptions and values. As the name suggests, interpretivism investigates how individuals interpret their experiences under specific conditions and circumstances (Woods & Trexler, 2001). This approach differs from positivism, which assumes that the researcher and reality are not intertwined. Interpretivism is considered most suitable for answering the research questions in this project since the intention is to find different perspectives about how and why pay secrecy develops in organisations. Rather than searching for a single truth, this study accepts that different participants will view pay secrecy differently and this will depend partly on their unique experiences in their organisations. The research therefore is deductive, that is, the researcher explored how theory could be applied to interpret and understand the interview data and case study data collected (Rowley, 2012, p. 263).

In following this interpretivist approach, the researcher employed semi-structured interviews and then case study methodology in the setting of two Australian organisations with contrasting pay secrecy policies to understand how individuals and organisations make meaning of pay secrecy policies within their own organisations and how they personally experienced these policies through their work as either managers or HR practitioners. The choice of a qualitative method is suitable since it allows for these experiences to be analysed to identify common themes and patterns in how individuals relate to, and experience, pay secrecy policies. A summary of this research approach is provided in Figure 2: Research Approach.

Research Philosophy and Design

Figure 2. Research Approach

Research Design

The design of the research was informed by the nature of the research questions and the limited relevant literature available. The strategy of inquiry adopted was a qualitative methods approach involving an interview-based study in Study One and a case study in Study Two. The qualitative data identified and explored participants' views on the internal and external factors that contribute to pay secrecy behaviour in depth. This approach was appropriate since, as a content-rich methodology, qualitative data collection is especially useful for developing theory and building knowledge in under-researched areas (Eisenhardt, 1989; Yin, 2009).

In Study One, this research investigated the reasons why organisations implement pay secrecy. This is a departure from studying the effects of pay secrecy on employees' pay perceptions and managerial pay decisions, which has dominated much of the pay secrecy literature (as illustrated in Chapter 2). Given the absence of previous research in this area, Study One was needed in order to understand the general context in which pay secrecy operates and to start to identify perceived reasons that pay secrecy is widely practiced in organisations. The lack of previous research made it necessary to first explore the meanings that stakeholders attach to the notions of pay secrecy in order to develop a rich theory-informed understanding of this complex social phenomenon. Interview data collected in Study One allowed the researcher to hear the voices of many participants in order to gain a wide range of perspectives on the research topic.

Building this breadth of pay secrecy experiences was important preparation for Study Two, which involved spending time in two contrasting work settings in order to understand how pay secrecy and pay transparency develop. In Study Two, the research drew on case study methodology: a relatively new method for pay secrecy research, which often relies on experimental methods (for example, see Adams, 1965; Bartol & Martin, 1989; Lawler, 1967). Case studies are in-depth investigations of particular settings and the people in those settings (Bogdan & Biklen, 1998). They provide detailed and rich descriptions (Ary, Jacobs, & Razavieh, 2010) that can extend or refine our understanding of a phenomenon (Stake, 1995). Case studies can be especially useful when researchers are interested in examining a problem within a real-life setting or when the topic under study and its context are closely interwoven (Yin, 2009).

In Study Two, the case study method was important for understanding the situation-specific nature of pay secrecy practices, where context was important. It would be challenging to identify underlying rationales for these practices using standardised quantitative research instruments. Qualitative methods like case studies are also appropriate when investigating subjective experiences and beliefs that cannot be readily measured using survey instruments (Creswell, 2013). This is relevant to this study of pay secrecy, which traces the evolution of pay secrecy policies and identifies the beliefs and attitudes that are precursors to pay secrecy policy decisions.

Research Project 1: Interviews

Setting

Australia is a particularly suitable setting for an investigation into pay secrecy. In Australia, legal requirements for organisations to share pay information are limited. Publicly listed companies in the private sector are compelled to report some pay data (for example, executive pay and gender equity statistics), but otherwise, there are no specific requirements for organisations to disclose pay data to the public or employees. Because of the lack of specific legal reporting requirements, most pay disclosures by Australian companies are voluntary. Australia shares similarities with other countries like the United Kingdom, Canada and the United States where pay secrecy is a common business practice (Bierman & Gely, 2004).

Population

In Study One, participants were selected if they satisfied five key criteria: (1) they were English speaking and older than 18 years; (2) they were employed as managers or HR practitioners; (3) they had more than five years professional experience; (4) they were employed in private sector organisations; and (5) their organisations had an established HR function. Participation was also a function of other practical considerations including access to participants and the willingness of participants to speak openly with the student researcher.

The purpose of interviewing managers and HR practitioners was to gain a broad perspective of pay secrecy in organisations. Both groups are also typically key stakeholders in pay decisions impacting employees and bring different perspectives to the process. The goal of interviewing both groups was to develop breadth so the study design held "ecological validity" (Lewkowicz, 2001).

Recruitment

Participants were actively recruited through a mix of professional and personal contacts and by participants nominating others. Initially, participants were recruited from a pool of executives participating in an "executive-in-residence" program in the student researcher's university facility. The student researcher also attended several HR networking events that produced a number of early study participants. This snowball effect or chain sampling technique (Dick, 1990, p. 25) led to 40 participants being recruited and interviewed. The final sample size was a product of the interview data collected.

Before each interview, participants received a consent form and an information sheet called a Plain Language Statement. This explained:

- the purpose of the research;
- the nature of participants' involvement;
- the procedure for ensuring participants' confidentiality and anonymity;
- the treatment and storage of the interview data; and,
- the intended use of the interview data.

The consent form granted the researcher permission to use the data for research publication. All participants signed consent forms to indicate their intention to participate in the research. Before each interview, the student researcher reminded participants of their rights including their option to terminate the interview and withdraw from the research.

Participants were informed that the interviews would last sixty minutes and would be an exploration of the topic of pay communication in their organisation. Participants were encouraged to be candid and draw on their own personal experiences in the workplace. Afterwards, participants could request to review the interview transcript and, if necessary, correct mistakes or clarify their meaning.

Interviews were completed between September 2014 and August 2018. The interviewing process was more protracted than expected. Due to their high workloads and busy schedules, several participants postponed and rescheduled interview appointments which contributed to a longer than anticipated lead-time. A further two participants pulled out of interviews due to heavy work commitments. In other instances, participants could not provide sufficient information or insight on the research topic so additional participants needed to be recruited.

Sampling

Purposeful (or selective) sampling was applied in this study (Patton, 2002). This nonprobability sampling technique involves establishing criteria for participation. Purposeful sampling relies on the judgement of the researcher to determine if prospective participants meet these criteria and qualify to participate (Cooper & Schindler, 2001). This approach was appropriate since the purpose was to investigate the “normal” or “typical” large Australian organisation operating in a decentralised wage setting environment. In this case, the goal was to report findings illustrative of large private sector organisations in Australia.

Data was drawn from single, in-depth interviews with each participant. The researcher continued to interview participants until saturation was reached. At this point, the sample size was sufficiently large enough to collect the necessary data to address the research questions (Creswell, 2003). That is, the researcher continued to interview new participants until the interviewing yielded no additional information or insights and patterns of convergence appeared in the interview data. The recruitment of interview participants was largely based on their capacity to provide the required information. Participants were able to recall their pay secrecy experiences, as well as the feelings those experiences evoked and the impact that the experiences may have had on employees impacted by those decisions. Participants were offered no monetary incentives or other rewards for participation in the study.

All participants were recruited from privately-owned organisations. There were only two cases where other managers besides those in strictly privately held organisations were interviewed. One participant worked at a public sector college: the other at a partly government-funded television network. These participants were not eliminated because it was felt that they could also contribute to the study in meaningful ways. However, they remained in the minority and every attempt was made to recruit interview participants from private organisations. Participants were recruited from a range of departments within these private organisations - the structure and scale of which also varied. Some were subsidiaries of multinational corporations; others were state- and national-based organisations.

All participants represented organisations practicing a degree of pay secrecy – either formally or informally. A small number of these organisations (4) also practiced hybrid policies: pay secrecy policies for professional and managerial staff and pay transparency policies for a proportion of their workforce governed by awards or enterprise agreements.

Data Collection

Once participants agreed to be interviewed, the interviewer (student researcher) contacted each participant by telephone. A mutually convenient time and location was arranged between the interviewer and each participant. These arrangements were negotiated separately between the interviewer and participants through telephone calls and e-mails. Almost all interviews were conducted in office meeting rooms at the participants' places of employment. These afforded participants sufficient privacy as well as convenient and comfortable environments. Interview rooms were usually located in quiet areas and were sparsely furnished which offered minimal distractions. Typically, in interviews the interviewer and the participant sat across from each other at a table in often identical seating.

Data were collected using semi-structured interviews (a description of the interview protocol is provided below). These interviews were conducted face-to-face or over the telephone, depending on the preferences of the participants. All interviews were undertaken by the student researcher. Although interviews varied in length, most lasted approximately one hour and were audio recorded with the consent of participants. Disappointingly, a technical glitch resulted in one interview being only partially recorded, however this proved a valuable lesson, as in all future interviews, two recording devices were used to safeguard against possible technical failures. Some notes were taken throughout the interviews to help with transcription and to clarify comments made by participants. However, note taking was limited to free the student researcher to focus on the participant's responses to questions. All interview recordings were later professionally transcribed verbatim by an independent third party who was unrelated to the research. These transcriptions were checked against the interview recordings to confirm accuracy. This also allowed the student researcher to review the data including the tone and expression of each participant. Transcripts were also presented to a sample of the participants for their review.

Pilot Study

A pilot study was conducted to review the interview questions and evaluate their effectiveness. The participant for the pilot study was a manager from a privately-owned Australian organisation. Only one participant was required because the findings revealed enough about the mechanisms of pay secrecy to warrant the use of the interview guide and proceed to interviews. This participant recalled various instances of management withholding pay information and discouraging employees from sharing pay information. This participant also recalled internal communications about pay secrecy and incidents of employees being verbally disciplined for disclosing pay information to colleagues. This pilot interview was reviewed by the student researcher and another independent reviewer.

Interview Protocol

A semi-structured interview protocol was employed in all the interviews conducted by the student researcher. The interviews benefited from the structure provided from the interview protocol. Since the student researcher conducted all interviews, she was sufficiently familiar with the interview protocol to easily recall its structure and line of questioning. This allowed for questions to be delivered in a seemingly informal and conversational style designed to draw out detailed information and comments from participants.

The interview protocol was divided into five sections. These sections were: (1) background information; (2) pay communication policies; (3) pay communication implementation; (4) benefits and costs of pay communication; and (5) perceptions of pay communication outcomes. Section One (background information) included a series of questions designed to collect information about participants and their organisations. Questions in Section Two sought to establish the level of pay communication present in participants' organisations and to identify the rules and norms governing pay communication between employees. Questions were designed to identify formal and informal restrictions on pay communication and to determinate any differences in the transparency of different dimensions of pay information. In Section Three (pay communication implementation), participants were asked a series of questions aimed at identifying and documenting how organisations disclosed pay information to employees and also managed the dissemination of pay information between employees.

Questions in Section 4 (benefits and costs of pay communication) sought to capture the rationales for, and effects of pay secrecy policies in participants' organisations. The final section, "perceptions about pay communication outcomes", included questions aimed at identifying participants' views and experiences relating to outcomes of pay communication. This section included questions about perceived outcomes relating to organisations, employees and managers. This set of questions served as a check against the reported rationales and explanations that participants had provided earlier in the interviews. Topics included in each section were identified based on the literature review. Many of the questions in the interview protocol were held constant in the interviews to allow for standardised and meaningful comparisons across the interviews. The interviewer also had scope to ask extra probing questions when required, to draw out further information or gain greater understanding of the participants' responses. This allowed for greater depth and the opportunity to uncover individuals' unique responses and perspectives. Furthermore, the explorative nature of the interviews meant that the interviewer was free to ignore some questions when appropriate.

A copy of the interview protocol is found in Appendix A. Every effort was made to avoid leading or value-laden questions. Care was also taken to avoid terminology that participants might have been unfamiliar with, and phrasing that might have implied a particular viewpoint or appeared to be based on conferred suppositions (Breakwell, 1990; M. J. Smith & Harper, 1995). All interview questions were also open-ended. A benefit of this approach was that it provided participants with greater freedom to respond to questions in the way they felt most comfortable (Kvale, 1996).

Researcher's Journal

The student researcher maintained a research journal during the data collection and analysis process. This journal served several purposes. Following each interview, the student researcher made a journal entry that included notes about her perceptions of the participant and recollections of how the participant behaved during the interviews. These notes were useful as they highlighted any observed behaviours or comments made by the participant that the researcher felt were important. The notes also reminded the researcher of the more subtle, non-verbal meaning of comments made by participants. For instance, some notes referenced the emotions of the participant at particular points in the interview that would not have been apparent from reading the transcribed text. The researcher also noted any personal impressions that could potentially impact the analysis process. This allowed the researcher to minimise the risk of personal bias creeping into the analysis of the interview data. All interview notes were also maintained in chronological order which allowed the researcher to accurately compare the notes and interview recordings.

Analysis

All transcribed interviews were imported into QSR NVivo. This qualitative data analysis software package was used to record codes and analyse the interview data (e.g. establish connections between codes, count instances of codes etc.). The researcher maintained detailed memos in NVivo that documented important coding decisions, describing each code and adding ideas about the themes as they emerged.

Qualitative analysis of the interview data involved five steps. To begin, the primary researcher conducted a preliminary examination of the interview data by reading the transcripts twice and taking notes. Next, each interview transcript was content-analysed adhering to the conventions of thematic analysis (Braun & Clarke, 2006). Thematic analysis emphasizes using deductive reasoning by drawing on existing theories in order to identify and report patterns in the data.

Interview data were initially coded using broad constructs determined from the Literature Review. A review of the literature allowed the researcher to identify themes to explore in detail. These were differentiated into narrower constructs. For example, the general construct of pay secrecy policy, which indicated whether the participant's organisation enforced pay secrecy, was eventually broken into five sub-categories of pay information disclosure types. Coding was also iterative and was informed by the interviews themselves. During the analysis, new codes were added as new information emerged from the interviews. Following Miles and Huberman (1994), content was also coded by terms used by interviewees. These were also aggregated into general constructs reflecting broader themes.

Miles and Huberman (1994, p. 56) define a code as a "tag or labels for assigning units of meaning to the descriptive or inferential information compiled during a study". In this study, the length of coded text varied from a few words to paragraphs. Each interview was read line-by-line and coded by the student researcher who conducted all the interviews. The analysis involved the constant comparative method outlined by Glaser and Strauss (1967). Each sentence and paragraph in the interview transcripts were reviewed and assigned to codes that best fitted the concepts denoted in the data. As coding progressed, earlier coded text was compared to recently coded text in order to check for consistency in coding (Glaser and Strauss, 1967).

Throughout this process, Nvivo software was employed to develop a visual data display showing the relationships between the themes and data (Miles & Huberman, 1994).

A coding catalogue was also compiled that was referenced and relied upon as the coding progressed. Codes were developed based on the criteria that they were valid, mutually exclusive and exhaustive. Coding continued until saturation was reached, a point when it was no longer possible to identify new attitudes and behaviours from the data. Most coding therefore was developed in the coding of the first ten interviews. Few new codes emerged in the final ten interviews. A list of the NVivo codes used is presented in Appendix B. Demographic variables such as gender, experience, role and age as well as organisational variables such as industry and size were also collected during the interviews.

Research Project 2: Case Study

Case Study Design

A case study approach was adopted for the second study. Creswell (2003, p. 97) defines a case study as a method that "explores a real-life, contemporary bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information". Case studies allow for the generation of deep insights (Feagin, Orum, & Sjoberg, 1991) and are useful for studying phenomena in small organisations (Harney, 2006).

The case description and case study approach are becoming an increasingly popular method in research (Hyett, Kenny, & Dickson-Swift, 2014; Thomas, 2011). Case studies are useful for testing theories (Anderson, 1983; Pinfield, 1986), providing detailed descriptions of phenomenon (Eisenhardt & Graebner, 2007) and developing theory (Harris & Sutton, 1986; Mintzberg, 1979). A strength of the case study approach is that it involves collecting and analysing multiple sources of data over a period of time (Denscombe, 1998). Yin (2009) identifies six types of evidence that can be collected using a case study methodology: interviews, documents, archival records, participant observations, direct observations, and physical objects.

Multi-Case Study Design

Adopting a multiple case study design allows for comparison between the cases, including identification of similarities and differences in the experiences of organisations (in this case of adopting pay secrecy policies) (Baxter & Jack, 2008; Stake, 1995). Cross-case analysis can also improve a researcher's theory 0contribution (Rueschemeyer, 2003).

The methodology adopted in Study Two was informed by the findings from Study One and prior pay secrecy literature. The results reported in Study One guided the development of interview questions and assisted in the interpretation of observations made in each case study organisation.

Existing literature was also used as a frame of reference when interpreting the findings from the case study organisations. Data, research questions and theories emerging from the process were compared with existing literature in the field and similarities and differences were identified. This served the purpose of tying findings from Study Two to existing and emergent theory and also presenting opportunities for new concepts to be developed.

Together, the research project's findings and the literature review were used to develop a model to explain the phenomenon of pay secrecy, and for drawing implications from organisations planning to pursue a pay secrecy policy.

Sample

Study Two collected and analysed data from two organisations. A small sample was chosen because of the expected difficulty in identifying organisations with pay transparency policies. Findings from Study One revealed widespread use of pay secrecy policies in the Australian private sector.

In selecting cases appropriate for this study, the researcher gathered data from organisations that nominated themselves as having either a high level of pay secrecy or a high level of pay transparency. Studying these organisations was suitable as the study aimed to identify how organisations perceive and operationalise different levels of pay secrecy. The project also sought to understand how organisations select and establish pay secrecy policies. For this reason, the study was based on two case study organisations which were reasonably established. The rationale being that newly formed organisations might not have sufficiently articulated pay secrecy policies. Both organisations had been operating for a reasonable time (between 10-20 years). Organisations that had been established for less than ten years were avoided. It was recognised that the selected organisations would need to be sufficiently established to have workforces large enough to trigger pay secrecy strategies. To allow for some conclusions to be drawn between Study One and Study Two, the researcher targeted Australian-based organisations. The structure and scale of these organisations varied although both operated in large markets. To summarise, two participating organisations needed to satisfy five criteria:

- Self-identified as operating a pay secrecy or transparency policy;
- Employed at least 20 employees;
- Established (more than 10 years old);

- Australian-based and privately owned; and
- Employing educated workforces.

The two organisations fitting this definition were identified using professional networks. Prior to the study, the researcher did not have a personal acquaintance with study participants. The absence of a social connection reduced ethical and interpretive validity concerns. Purposeful sampling was employed in the current study to select cases that were likely to be “information rich” (Patton, 2002).

Table 3.2: Profile of Participating Organisations

Characteristic	**Organisation 1 (Open Co)**	**Organisation 2 (Secret Co)**
Location	Melbourne	Melbourne
Industry	Technology	Healthcare
Employees	55	280
Ownership	Private	Private
Market	International	Metropolitan

The organisations satisfying the recruitment criteria were asked to participate in the study by the student researcher. Early recruitment discussions were held with executives in each case study organisation to determine their willingness to participate. These conversations were supported by documentation outlining the nature of the research project including its purpose and the information sought. Access to organisational records and interviewees was also negotiated.

Before commencing, the researcher identified major characteristics associated with pay secrecy and pay transparency. This list built a broad picture of how pay secrecy and pay transparency might present in the case study organisations. From this process it was established that a goal of the research should be to uncover each organisation's perceptions about why it could be viewed as practicing pay secrecy or pay transparency and the degree to which these policies were embedded in their workplaces.

Data Collection

Data were collected from two case study organisations. Data collection was completed once the data were saturated so that adding new data did not produce additional insights. Data were generated from interviews, organisation records, field notes and observations. All fieldwork was conducted onsite at each organisation's head office. A range of organisational stakeholders were involved. To provide both a managerial and employee perspective, the researcher interviewed, interacted with, and observed both groups. This approach recognised that case studies are multi-perspective analyses that require the researcher to consider the perspectives of all relevant groups as well as interaction between these groups (Tellis, 1997).

Pilot Study

A small pilot study was conducted. Its goal was to identify potential problems with the interview protocol and gain some interviewing practice. Two test interviews were conducted informally by the researcher and the interview guide was refined based on feedback and findings from these interviews. These pilot interviews were also useful in providing a general sense of the nature of the interview data that was likely to be collected. In doing so, the pilot provided the starting point to develop a number of predictions, which informed observations and interviews undertaken in the participating organisations. Only two test interviews were necessary because as Harding (2013) notes, there was scope for improving the interview guide as the interviewing progressed.

Interviews

Interviews were the chief method of data collection. Each case study comprised interviews with managers, HR practitioners and employees. Interviews were of approximately 50-60 minutes duration and took place onsite. This allowed for some workplace inspection.

Interviews were organised to accommodate participants' schedules and work commitments. Work commitments somewhat limited the amount of time that some participants could devote to the research project; however, most participants were enthusiastic about sharing their experiences and perspectives. This produced an abundant dataset. Interview data were recorded on a digital audio recorder and transcribed verbatim using a third-party provider.

Prior to the site visits, the researcher did not establish a target number of interviews. It was anticipated that this number would vary in response to differences in organisation size and structure. However, the researcher determined that it was necessary to gather the perspectives of a range of stakeholders across each case study organisation. In particular, priority was given to collecting insights from senior managers who were instrumental in either the introduction, evolution or continuing management of their organisation's pay secrecy policy. It was also recognised that senior management were gate-keepers to organisational information and access to other employees. Collecting the perspective of non-managerial employees was also important. Their views on the presence of pay secrecy would be useful for measuring the degree of depth of the organisation's secrecy policies.

Table 3.3: Profile of Case Study Participants

Participant Type	Organisation 1 (Open Co)	Organisation 2 (Secret Co)
Executive manager	3	1
HR practitioner	1	2
Operations manager	3	2
Employee	1	
Total	**8**	**5**

Interviews were semi-structured. The researcher used a semi-structured interview protocol with accompanying probes and prompts. Interview questions were organised around the following broad topics:

1. Organisation context (a description of the organisation, its operating environment and its background);
2. Details of the pay secrecy policy including initiatives and strategies used to implement and support the policy;
3. Rationales and explanations for the implementation of pay secrecy policies;
4. Outcomes of the pay secrecy policy including perceived successes and failures; and
5. Impact of the pay secrecy policy on structures, systems and individuals in the organisation.

Document Review

To supplement interview data, documentary evidence was also collected. The purpose of the document review was to: (1) add additional detail and description to the cases (Esterberg, 2002; Merriam, 1988); and (2) to substantiate statements made by participants in the interview statements (Glaser & Strauss, 1967). Documentary evidence was gathered from multiple sources including each organisation's intranet, internal emails and documented policies. The following organisation documents and records were reviewed:

Table 3.4: Document Review

Document Type	**Document Description**
Employment Contract	Employment Contract Template detailing generic terms of employment and remuneration.
Hiring Process Documents	Policy and process documents relating to the hiring of new employees.
HR Policy Documents	Organisation Human Resource documents describing the organisations' pay policy and pay review process.
Internal Communications	Emails from management to employees about the organisation's pay policy and annual pay review process.
Pay Decision Matrix	Spreadsheets relating to the pay review process.

Documents were related to the 2018 calendar year. Only documents that were specifically addressing human resources and personnel policy and process were analysed. A total of five different types of documents was identified and selected for content analysis. Documents relating explicitly to remuneration policy were the dominant source.

Field Observations

Field observations were made of each organisation over a 12-week period. Detailed observational field-notes were taken during the site visits. These were useful for recalling impressions and reflections made during each site visit. A standardised template was created and used to capture these field notes. The software-based template recorded the visit date and time, location, activities the researcher participated in, important information obtained during the visit and the general field observations of the researcher. Appendix C presents a sample of field notes taken during a visit to a case study organisation. These observations were later expanded and described in further detail.

Analysis

The student researcher coded all the materials collected. Employing the principals of thematic analysis (Braun & Clarke, 2006), this researcher used a deductive approach when analysing the data. Interview data was read to identify any themes that related to the research questions while also recalling themes identified by previous research (Braun & Clarke, 2006). This "theoretical" thematic analysis performed on the interview data was informed by the student researcher's theoretical model outlined in Chapter two and prior research. This approach differed from the alternative grounded theory approach in which insights from qualitative data are identified during the coding phases rather than being specified beforehand (Strauss & Corbin, 1990). Using the process described by Braun and Clarke (2006, p. 87), data analysis involved the following six-steps.

Step 1 Data were organised for analysis. All audio recordings of the interviews were transcribed verbatim, field notes were prepared and data were arranged according to source and type.

Step 2 An initial coding of the interview transcripts, field notes and observations was completed using NVivo software. This involved systematic coding of the entire data set to identify important features of the data.

Step 3 A detailed analysis of the interview data was performed that organised the codes identified in Step 2 into potential themes. This provided an overview of the broad topics emerging from the interview data.

Step 4 Themes emerging from Step 3 were reviewed and refined to generate a thematic map.

Step 5 Further analysis was performed to refine and produce clear definitions of each theme, taking into account the overall narrative told by the analysis.

Step 6 In the final stage, key themes were interpreted by the researcher using selected extracts and examples from the data. The discussion linked the analysis to the research questions and identified where the findings confirmed or contradicted previous research.

Case Analysis Methodology

Data analysis involved two distinct steps: within-case analysis and cross-case analysis. In the former, data from the cases were analysed to identify unique patterns. In the latter, data were analysed across cases to identify generalized patterns that were observable between cases.

Three techniques were used to analyse and synthesise the data within- and out-of-context across the three case studies. First, an analysis of the findings from each case study were examined to identify their transferability to other contexts. Second, data collected from each case study was re-examined out of the context of its own case study to pinpoint any additional themes that may have been missed. Finally, the data were analysed against each research question again. This sometimes involved studying the raw data in detail both within- and across the case studies.

Reliability, credibility and validity of data

Several steps were taken in Study One and Study Two to preserve the validity, credibility and reliability of the qualitative findings. These included the following measures:

1. Data were triangulated by using multiple sources of data to corroborate findings and improve construct validity (Merriam, 1988; Stake, 1995; Yin, 2009). Triangulation was achieved by matching the information from the interviews with data collected in the case studies. Data were also compared across case studies to increase validity. The goal being to understand different perspectives from multiple sources and to develop a deeper knowledge of the phenomenon under study (Creswell, 2003; Janesick, 2001). According to Jick (1979, p. 608), triangulation allows "for more confident interpretations, for both testing and developing hypotheses, and for more unpredicted and context-related findings".
2. Member-checking (Merriam, 1988) was employed to confirm the accuracy of the coding and themes. The researcher performed member checking with a sample of participants to verify the accuracy of the reported findings. Participants were asked to review and check the account made by the researcher and her interpretation of their comments. Participants received a

copy of the transcribed interviews to review for accuracy and completeness. Revisions to these statements were made when necessary.

3. Following recommendations by Lincoln and Guba (1985), a thick description of the phenomenon under study was provided to improve external validity. The goal was to assist audiences and researchers to evaluate the transferability of the findings to other circumstances (Lincoln & Guba, 1985). Following the recommendation of Merriam (2002, p. 31), the presentation of the findings sought to provide "enough description to contextualize the study such that readers will be able to determine the extent to which their situation matches the research context." These detailed descriptions made it possible to evaluate how much of the findings could be transferred to other settings.
4. Reflexivity by the researcher was also used to increase validity (Creswell, 2013). The researcher considered her own experiences, attitudes and beliefs in relation to the topic and the information gathered. She reflected on how these elements might impact her interpretation of the information collected. Creswell (2007) contends that reflexivity provides the reader with the opportunity to draw their own interpretation of the information presented and to construct their own perspective about the research topic.
5. In Study One, coding reliability was assessed using two experienced coders who independently coded a sample of the interview transcripts (Druskat & Wheeler, 2017).

6. In Study Two, negative case analysis was performed to test the credibility of the findings. This process involved examining the data to search for evidence that disconfirmed or contradicted the findings. This allowed for further refinements and revisions.
7. The rigor and transparency of the research methodology was also maintained thanks to the oversight provided by the student researcher's supervisors (i.e. the Review Committee) at the University of Melbourne. Together, the supervisors reviewed and provided advice and critical comment on all phases of the research. Their expert advice and direction guided the methodological choices and directions employed.
8. The findings include counts of how often interviewees commented on a particular subject. However, remembering that the analysis is founded along the principles of thematic analysis, it is recognised that frequency does not necessarily signal importance (Braun & Clarke, 2006). Frequency counts also do not preclude the presence of a phenomenon in cases where the interviewee does not mention it. Occurrences of a given phenomenon might also be underrepresented or under-recorded when the interviewer did not ask a direct question about it. To paraphrase Ashforth, Kreiner, Clark, and Fugate (2007), the goal was to understand the topic under study (namely, pay secrecy) and the intent was not to document frequencies.

Reflectivity and the role of the Researcher

Research Project 1: Interviews

Following the interpretivist tradition, the student researcher acknowledges that her own background, including her personal and cultural experiences, can shape her interpretation and reporting of findings. Holloway (1997) recommended that researchers position themselves in the research to recognize how their own background might influence how they interpret the research data.

The student researcher, for example, acknowledges that some questions, especially those that were opportunistic or impromptu, may have been unintentionally expressed in a leading way. It is impossible to tell whether participants responded with socially desirable answers (Bonsall, 2009). However, on the surface at least, they seemed to offer honest responses and avoided changing their answers to portray themselves more positively.

The student researcher, like others engaged in qualitative research, was responsible for acknowledging the influence of her position and how this might have affected the data analysis. It was important to be cognisant of the student researcher’s personal preferences and views on the topic under study. Ultimately, this research was inspired by the student researcher’s interests and previous employment as a HR practitioner. Having spent many years consulting to organisations, the student researcher had a special interest in remuneration decision making. This curiosity can be traced to two dimensions: personal background and professional experience.

As a previous employee, the researcher passionately believes that employees should be paid based on their contribution to their organisations and further, that these pay decisions should be free of personal bias and discrimination. Like most employees, she has, on occasion, discovered that she is paid less than colleagues in similar roles and has considered the reasons. Pay communication can be one of the salient factors in building trust among employees and reducing uncertainty. As Bowman and Stevens (2012, p. 482), observed, "secrecy provides a basis for suspicion that the organisation has something to conceal". However, as a current employer, the student researcher also understands that managers face a variety of challenges in arriving at pay decisions, particularly regarding the issues of group cooperation and morale. Practical considerations such as controlling costs must also be factored into such decisions. Having these views and experiences made the student researcher keen to understand the multiple perspectives of participants and to perceive how the separate effects of pay transparency and pay secrecy could impact employees and organisations.

Research Project 2: Case Study

The student researcher did not have an existing relationship with either case study organisation and therefore she held an outsider's perspective. This allowed the student researcher to more easily take an objective view. Nonetheless, recognising that researchers are instruments of data collection (Denzin & Lincoln, 2003), care was taken to reduce the impact of personal and professional bias on the study's findings. Throughout data collection, the student researcher maintained a journal of personal reflections and insights. When potential bias was noted, the student researcher used this journal to document techniques to overcome bias.

The student researcher was responsible for the collection, analysis and reporting of the research data. To develop the skills needed to perform the functions, the student researcher completed the qualitative research course offered as part of the University of

Melbourne's Doctor of Philosophy Program. The student researcher also attended training in the qualitative software, NVivo. This was subsequently used to code and analyse the data collected. During the project, the student researcher sought guidance from several books about qualitative research. These included "Research Design" by Creswell (2003) and the "Handbook on Qualitative Research" by (Denzin & Lincoln, 2003).

The student researcher's knowledge about the subject under study as well as her knowledge of qualitative methodologies also continued to develop during the research project. As a consequence of this, data collection and analysis procedures evolved as the research project progressed and the student researcher adapted new ideas and processes during what Creswell and Plano Clark (2011) call "emergent design".

Ethical Issues

Both studies presented here involved research with people and as such the student researcher took into account the ethics of social research. To this end, the current research followed the guidelines laid out by the National Statement of Ethical Conduct in Human Research (2007) (NHMRC, 2007). This included taking care to identify and carefully consider any ethical issues as they arose in the design and undertaking of the research. The student researcher recognised the importance of adhering to the five principles of: respect, beneficence, justice, research merit and integrity.

First, the student researcher acknowledged and respected participants in their right to autonomy and freedom to make choices in their own interests (Rogero-Anaya, Carpintero-Avellaneda, & Vila-Blasco, 1994). To this end, the student researcher fully disclosed the nature of the research and supported participants in decisions to participate or withdraw from the study without consequence.

Principles of beneficence and justice also guided the research. A priority was to avoid causing harm to any individuals through their participation in the research. Both studies were undertaken with the goal of benefiting individual participants and the wider community (Parahoo, 2014). The student researcher also took care to treat participants with fairness and equity throughout the research process. There was a strong appreciation of the faith participants had placed in the student researcher to safeguard their wellbeing. In response to this trust, the student researcher committed to supporting participants during, before and after their participation in the research.

Finally, this research sought to have merit and integrity through its contribution to scholars' current understanding of pay secrecy. It was based on a thorough review of the available pay secrecy literature that identified new questions and potential areas of knowledge that informed the goals of this research.

Confidentiality of participants

Confidentiality of participants was protected during Study One and Study Two. Pseudonyms were assigned to all participants (Odendahl & Shaw, 2002) and any identifying information, including names, locations and employer names were either changed or deleted in the transcripts. Records of participants' names and their matching pseudonyms were stored separately and all other identifying information was held in a safe and secure place. Paper-based interview transcripts were filed in a locked drawer in a restricted access office at the University of Melbourne while electronic copies were saved on a password-protected university computer. Participants were also given assurances that the level of analysis performed and the level of findings reported would prevent participants and organisations from being identified.

Ethics Approval

Both studies were approved by the University's Faculty Human Ethics Advisory Group (FHEAG) at the University of Melbourne. All participants consented in writing to participate by signing the approved Consent Form and were provided with copies of the approved Plain Language Statement prior to participating in either study. All participants were advised of their rights, including the option to withdraw their participation at any time. Steps to ensure confidentiality were also discussed with every participant prior to data collection procedures. Copies of the Consent Form and the Plain Language Statement are provided in Appendix D and Appendix E. Participants were provided with summaries of each study's findings upon request. In accordance with the conditions of the University's ethics approval, all data collected is securely kept for five years.

Methodology Summary of the Research Projects

This research investigates why and how organisations implement pay secrecy policies. Two qualitative studies were designed to answer these research questions. Responding to limited prior research, Study One involved semi-structured interviews with managers and HR practitioners. It sought to capture the many different perspectives of individuals involved in the operation of pay secrecy policies and assisted the researcher in identifying important themes for examination. In Study Two, a case-based qualitative study investigated the themes identified in Study One in greater depth. It examined these themes by talking to, and observing, how people experienced pay secrecy in two case study organisations with contrasting pay secrecy policies. This strategy allowed the researcher to explore the same research questions using two approaches. Sampling many managerial experiences in Study One and then performing an in-depth investigation of two case study organisations in Study Two, made it possible for the researcher to test whether a conceptual model could explain how and why organisations create pay secrecy. The diagram below (figure 3) illustrates the linkages among the key components of the research design methodology described in this chapter. The figure shows the sequential order in which Study One and then Study Two were performed. In each study, initial planning of data collection methods preceded data collection and analysis. Findings from both studies were combined to address the thesis' two research questions.

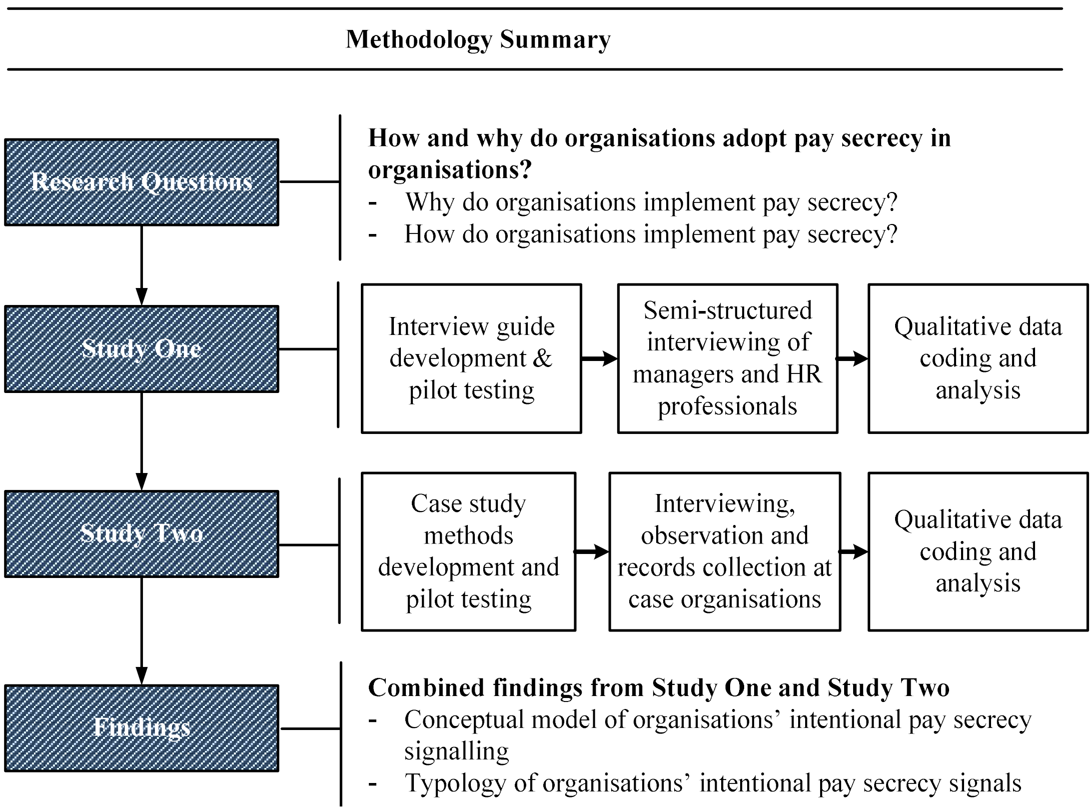

Figure 3. Methodology Summary

Chapter Summary

This chapter provided a detailed description of the research methodologies applied in two qualitative research projects. In justifying the qualitative methods design, the chapter established the researcher's goal of developing a detailed view of the reasoning behind, and implementation of, pay secrecy policies in organisations. A qualitative method procedure was used that combined qualitative interviews and case studies. The chapter outlined the rationale for the methodology adopted as well as describing the methodical design, data collection tools and data analysis. It also described strategies for ensuring the reliability of the findings. The next two chapter (chapters 5 and 6) report the findings of the research. These findings are analysed and examined in reference to the research questions presented in Chapter One.

CHAPTER IV

STUDY ONE FINDINGS

Introduction

This chapter presents the findings of Study One. In this qualitative study, conclusions were drawn from the analysis of semi-structured interviews with managers and HR practitioners. These findings provide a recount, analysis and explanation of the experiences of these stakeholders who make decisions about pay secrecy and operationalise those decisions. Interview questions elicited data on the rationales for pay secrecy strategies and the subsequent behaviour of organisations. Specifically, analysis revealed the different ways organisations make decisions to control or communicate different forms of pay information and how they implement those decisions to create conditions of pay secrecy in the workplace. The study sought to make sense of and explain pay secrecy in organisations by focusing on pay communication policies, structures and processes. The following research questions informed this study:

1. Why do organisations implement secrecy?
2. How do organisations implement pay secrecy?

By exploring these pay secrecy-related concepts and themes, the study draws attention to some important dynamics prevailing in pay secrecy behaviour. In doing so, the study adds to the existing knowledge base about pay secrecy and provides policy makers with insight to guide the practice and design of future pay communication policies.

Discussion of Findings

Findings from this qualitative study are divided into two sections: descriptive and demographic results; and interview data results. Section One presents the participants' demographic profile. In the second section, the results and analysis of the in-depth interviews are reported. This section describes participants' perceptions and experiences of pay secrecy behaviours and policies in their respective organisations. The findings are organised under two headings that address the research questions: (1) why do organisations implement pay secrecy; and (2) how do organisations implement pay secrecy. Each section elaborates on the main themes identified in the data. To support the analysis, passages and quotes from the interviews' transcripts are included to illustrate the concepts, ideas and themes surfacing from the data analysis.

Demographic and Descriptive Results

The study sample consisted of 40 participants comprising 21 HR practitioners and 19 managers from 39 organisations. This sample size was considered appropriate since the qualitative study called for quality to take precedence over quantity. The amount of information gleaned from this sample of interviews was deemed sufficient to satisfy the recommendation by Padgett (1998, p. 52) that the researcher becomes "saturated" with data. All participants were recruited from Australian-based organisations and were employed full time in roles that involved designing or applying pay secrecy policies. Approximately 27 participants (67%) were female and 33 participants (83%) held university degrees. Summaries of the sample's composition are provided in Tables 4.1 and 4.2. As the tables illustrate, there was considerable diversity with regard to the type of sectors to which organisations belonged. Participants were also drawn from organisations of varying size. Approximately 53 percent of participants represented organisations employing more than 1,000 workers with the remaining organisations employing less than 500 employees (25%) or 501-999 employees (22%).

Table 4.1: Profile of Participants

Participant Type	Male	Female	Total
HR Practitioners	5	16	**21 (53%)**
Managers	8	11	**19 (47%)**
Executive	7	4	
Operations	1	7	
Total	**13 (33%)**	**27 (67%)**	**40**

Table 4.2: Profile of Participants' Organisations by Sector

Sector of Employing Organisation	HR Practitioner		Manager		Total
	Male	Female	Male	Female	
Arts and Recreation Services	1			1	2
Construction				1	1
Education and Training		1			1
Financial and Insurance Services	1	1	5	4	11

Sector of Employing Organisation	HR Practitioner		Manager		Total
	Male	Female	Male	Female	
Information Media and Telecommunications		1			1
Manufacturing	1	5	2	1	9
Professional, Scientific, Technical Services	1	6		1	8
Retail Trade	1	1		3	5
Transport, Postal and Warehousing			1		1
Wholesale Trade		1			1
TOTAL	**5**	**16**	**8**	**11**	**40**

Findings

Why do organisations implement pay secrecy?

This section provides a detailed description of data collected from participants about the reasons their organisations had implemented pay secrecy. It describes the problems that have been identified by participants' organisations when pay is transparent. In this section, the main findings of the research are presented under headings corresponding to the key themes. Under each heading, a number of categories emerged from the data. The table below provides a summary of each theme and its corresponding categories. Initially, categories were informed by the literature review but were expanded and refined as the data analysis progressed.

Analysis of the interview data reveals a high degree of diversity in opinions between participants when providing explanations for pay secrecy. Participants made a total of 661 discrete remarks and observations concerning the reasons why organisations adopt pay secrecy. These comments were organised into 20 categories from which three higher-order themes emerge: employee-centric explanations, manager-centric explanations and organisation-centric explanations. Table 4.3 presents the final themes and categories.

Overall, comments made by participants indicate that most participants were supportive of pay secrecy in relation to pay outcomes. However, there was greater diversity in the opinions that participants expressed about secrecy relating to pay processes and policies. Many participants appear to either support some level of transparency about pay determination processes or else take a neutral position.

Themes and Categories

Table 4.3: Summary of Emergent Themes and Categories

Themes and Categories	Explanation of Category
Employee-centric Factors	
1. Emotions	Feelings and sentiments that employees are perceived to experience when exposed to pay outcome information.

Themes and Categories	Explanation of Category
2. Behaviour	The observable behavioural responses and actions of employees when they are exposed to pay outcome information.
3. Objectivity	Employees' perceived objectivity in relation to pay outcome information.
4. Comprehension	Employees' perceived comprehension of pay information including employees' objectivity and technical knowledge of compensation setting practices.
5. Acceptance	Employees' perceived acceptance of pay outcomes.
6. Preferences	Preferences relating to pay confidentiality and pay equity that employees are perceived to hold.
Manager-centric Factors	
7. Competency	The capacity and skills of managers to communicate pay information to employees and manage perceived emotional and behavioural responses of employees when they are exposed to pay outcome information.
8. Conflict Avoidance and Relationship Management	Perceptions of managers' intentions and preferences for avoiding conflict with employees and among employees.
9. Resourcing	The resources and other supports available in organisations for the communication and management of pay information to employees.
10. Strategic Relevancy	The degree to which pay secrecy is important or useful in relation to achieving the strategic objectives of managers and organisations.

Themes and Categories	Explanation of Category
11. Paternalism	Organisational intervention on the behalf of employees (even if unrequested) in relation to the treatment of pay outcome information.
Organisation-centric Factors	
12. Cost Control	The degree to which pay secrecy impacts labour costs in organisations.
13. Competitiveness	The influence of competitive and strategic objectives on the level of pay secrecy present in organisations.
14. Flexibility	The degree to which pay secrecy provides organisations with flexibility in pay decision making.
15. Systems and Performance Measurement	The effect of the relative sophistication of organisational systems and performance measurement.
16. Administration Legacy	The degree to which organisations are inclined to continue operating existing pay secrecy policies.
17. Performance Recognition Practices	The influence of alternative methods for signalling differences in employees' performance.
18. Organisational Scale and Complexity	The influence of the organisational environment (including structure and scale) on the development of pay secrecy rules, culture and norms.
19. Organisational Culture	The social rules and shared expectations that guide the pay information sharing behaviour and actions of people in organisations.

Themes and Categories	Explanation of Category
20. Pay Outcomes	The perceived quality and defensibility of pay outcomes in the organisation.

Employee-centric Explanations

Participants offered a variety of justifications and explanations for why pay secrecy was required. The employee-centric theme contains the highest number of representative statements, indicating that decisions to adopt pay secrecy are based on rationales related to perceptions about employees' responses to pay information. The idea that employees respond negatively to pay outcome information – particularly when it highlights differences in pay among co-workers – has been highly influential in organisational decisions to introduce pay secrecy. Most of the explanations relate to strategies intended to avoid the type of negative employee behaviour and attitudes that are believed to plague organisations when they expose employees to pay outcomes. In the interview data, perceptions about employees' negatives responses were shown to be related to employees' emotions, behaviours, objectivity, comprehension, acceptance and preferences.

Emotions. Participants made the largest number of statements about employees' emotional responses to pay information. Most of this discussion focused on negative emotions resulting from exposure to peer pay information. Participants believed that high levels of pay communication – often intended to invoke feelings of trust and commitment in employees – would backfire. They perceived employees as experiencing an array of negative emotions including dissatisfaction, anger, discomfort, resentment, demotivation and unhappiness.

Although participants overwhelmingly perceived negative emotional reactions from employees, some participants raised positive emotional responses as well. These included satisfaction, pride, appreciation and recognition. However, positive emotional responses were assumed to be expressed and felt by employees who earned more than their colleagues. Overall, the findings indicate that participants perceive primarily negative emotions in relation to pay transparency. A statement demonstrating this category was:

> *"Most people come out of a conversation (about pay) feeling dissatisfied."*

Participants provided several explanations for employees' emotional reactions to pay outcomes. Recurring beliefs expressed by participants were that employees' self-esteem was inextricably linked to their pay and that employees interpret pay outcomes as a measure of their individual worth. Participants sharing this view believed that it was too confronting for employees to see variances in pay between themselves and co-workers. For the majority of participants, the need to insulate employees from emotional distress was considered a salient reason why their organisations practiced pay secrecy. A sample statement reflecting this view was:

> *"Pay is really an emotional thing for people, and a lot of people align their self-value to how they're paid. Because pay is just a sensitive one, it's always going to be emotional for people, because I think we place a lot of our self-value on how much we get paid. And if someone gets paid a hundred thousand dollars more than you, there's almost a latent belief that that person's just better than you are."*

Behaviour. Participants made a large number of statements concerning the behaviour and actions of employees that are exposed to pay outcome information. The interview data clearly suggests that participants view pay secrecy as instrumental in managing employee behaviour. Concerns about employees' objectivity and understanding led participants to express the view that their organisation enforced pay secrecy to avoid a number of negative behaviours by employees. As one participant pointed out:

"I think I haven't seen anybody react to learning other people's pay in a good way. It's always ended up being a touchy subject."

Behaviours identified by participants related to reduced performance, decreased cooperation, increased conflict, reduced effort, increased turnover and a rise in leaving intentions. In addition, participants perceived that it was easier for employees to stay committed and focused on their work when they were not distracted by issues relating to co-workers' pay.

Objectivity. A high frequency of participant statements related to employees' objectivity in relation to pay outcomes. There was a perception that employees' opinions about pay are influenced by their personal feelings and emotions. Moreover, employees' lack of objectivity was seen to contribute to the negative behaviours described in the previous category. To avoid upsetting employees, organisations adopted pay secrecy.

Participants observed that employees struggled to objectively evaluate their own performance relative to others because they were *"emotionally invested"*. This caused employees to underestimate the work input of colleagues and overestimate their own contribution. Another issue, according to participants, involved their employees' value perception as it differed from the organisation's perception. Employees were also considered to place greater emphasis on comparing themselves with higher paid peers than lower paid peers. This tendency further inhibited their ability to objectively consider their personal situation. One participant expressed it this way:

> *"They (employees) could find five people that earn less than them and one that earns more, but they're only interested in the one that earns more. It's generally what we have found."*

Participants acknowledged that providing employees with more contextual information could assist in improving their objectivity. However, this posed ethical problems for organisations, particularly if it required them to reveal sensitive information about other workers' performance.

Some participants observed that providing additional performance information and explanations of pay differences would not resolve issues associated with objectivity. Employees were perceived to concentrate on the presence of pay differences rather than the corresponding explanations. They also reported that employees held strong views that made them less willing to consider other viewpoints. Based on participants' responses, discussions about pay differences with employees didn't usually *"end well"* with employees often rejecting explanations provided by organisations. As one participant explained:

> *"We often get, "They always go home early", or "I am always fixing up their mistakes", or, "You know, they don't have as much experience as me", "I've been here longer, you know", "I'm more loyal – like everybody thinks that they deserve more than what they get."*

Comprehension. The Comprehension category accounted for a high number of responses overall, suggesting participants discern issues relating to employees' comprehension as a major reason why organisations adopt pay secrecy. For many organisations, pay transparency was undesirable because employees simply didn't understand how pay decisions were made. Without pay secrecy, employees would weigh in on pay decisions without relevant expertise or knowledge. One participant described it this way:

> *"We've got to have confidentiality because people just don't understand and it's like, "Well, why are they getting paid more than me?"*

Another said:

> *"Making decisions about rewards is nuanced. Participants often make these decisions with the support of REM specialists and business partners from HR. It's not a straightforward thing. Most employees don't have the breadth of experience or knowledge about how these decisions are made."*

Participants related employees' low comprehension to *"expertise gaps."* There was a commonly held perception that employees lack the necessary technical pay knowledge to understand pay outcomes. Participants partially attributed this to employees' limited knowledge of, and access to, pay setting policies, coupled with a lack of technical proficiency and understanding of pay processes generally. Participants also expressed the belief that employees fail to understand the bigger picture, making them less likely to take into account important factors that contribute to pay outcomes. Pay decisions, for example, were reported to be the product of broader business drivers - such as government funding - that impact an organisation's overall remuneration policies.

Participants perceived that pay secrecy helped organisations overcome problems associated with employees' comprehension of pay decisions. As one participant explained, without pay secrecy, organisations face the difficult and time-consuming challenge of educating employees about the mechanisms and factors that contribute to pay decisions. Additionally, the challenge of explaining the diverse drivers that impact pay decisions meant that it was simply more practical for organisations to adopt pay secrecy, rather than *"open Pandora's box."*

Participants did not discern that employees' comprehension would improve if organisations shared more technical remuneration information with employees. They expressed concerns that more information would have counterproductive effects resulting in pay disclosures becoming less meaningful for employees. For some organisations, for example, increased transparency in relation to pay determination models and pay setting policies had resulted in the spread of sometimes misleading or confusing information that was unproductive and occasionally damaging. For this reason, some participants were circumspect about the degree to which their organisations currently revealed their compensation process and technical information.

Participants also observed that the widespread use of performance-based pay systems made it more difficult for employees to comprehend and correctly interpret pay decisions. By their nature, these pay models were complex and resulted in more pay variations between employees that would require greater explanation if made public.

Acceptance. There is moderate support in the interview data for the Acceptance category, which contains the fourth highest frequency of responses under the theme of Employee-centric Explanations. Participants suggested that pay secrecy was necessary because many employees were unlikely to accept pay outcomes, especially when pay transparency would otherwise reveal pay differences among employees. Participants perceived that employees would suspect some degree of personal bias or discrimination creeping into pay decisions if they became aware of pay differences. Participants' statements inferred that employees lacked faith in managers to make impartial and wholly objective pay decisions. As one participant explained, when managers pay employees differently, they *"have to have a pretty good story behind why they [employees] are earning that"*.

Pay transparency was also seen to encourage more employees to question pay outcomes. They suggested that open pay communication with employees would legitimise second-guessing and ongoing debate about managers' pay decisions that would reduce employees' overall trust in pay outcomes.

Preferences. The Preferences category contains the fifth highest frequency of responses under this theme, suggesting that organisations consider the inclinations and choices of employees when adopting pay secrecy. Two sub-categories were identified as belonging to the Preferences category: Confidentiality Preference and Equality Preference.

The Confidentiality Preference sub-category includes comments by participants indicating that organisations adopt pay secrecy because employees prefer pay confidentiality. However, there was some divergence in opinion among participants about which groups of employees preferred pay secrecy. Some participants perceived that low paid employees preferred pay secrecy to avoid potential embarrassment or discomfort. But other participants expressed the view that well-paid employees preferred pay secrecy to avoid experiencing the negative repercussions of resentment from lower-paid colleagues. A sample statement of this sub-category included:

> *"No, I don't know if they (high performers) want the other people to know. I think they'd want to know where they stand and where everyone stands in the high performer group. I'm not sure that they'd want everyone else to know that I'm a high performer, I get paid more than you. I would just cause problems."*

One participant disagreed with the majority by suggesting that employees would prefer pay transparency because it would bring greater accountability to those making pay decisions. Without effective supervision and governance, managers lacked accountability for their pay decisions - circumstances which employees might suspect facilitated pay discrimination and poor pay decision making generally. In these cases, employees might believe pay transparency was necessary.

Possibly, participants' comments were influenced by their personal preferences for sharing pay information. Participants expressed views about the confidentiality of their own pay as well as views on the confidentiality of other employees' pay. Many participants felt comfortable knowing other people's pay but admitted that they would prefer to keep their own pay secret.

The second sub-category, Equality Preference, was only raised by a small number of participants. Comments by participants suggested that organisations created pay secrecy to hide pay disparities from employees who they believed preferred pay equality. For organisations, pay secrecy guaranteed that employees separated their pay outcomes from that of their colleagues, and helped ensure any potential wage claims were not grounded in a desire to achieve pay parity with others.

This assumption appears also to be shaped – at least partly – by participants' own preferences. In providing this rationale, participants recalled experiencing negative feelings upon discovering pay disparities between themselves and others. Participants associated pay inequity with feelings of anger, demotivation and being undervalued by their employers. However, these feelings were associated most often with being paid less than colleagues. Participants acknowledged that they did not experience negative emotions when they were paid more than others.

Participants perceived that employees' preferences for equality were related to individual or personality-based characteristics. An example of these comments included:

> *"Some employees are really quite focused on it, their pay level. They have a certain level of one-upmanship but that's their culture. It's not only related to pay, it's in all their jobs and their work, and for other people it's just not so important for them."*

Manager-centric Explanations

Participants made a large number of statements about rationales for pay secrecy that could be categorised as manager-related dimensions. This manager-centric theme contains the second highest frequency of responses overall, indicating that manager-related rationales are moderately important considerations for organisations when choosing pay secrecy. "Manager-related Explanations" captures rationales relating to managers' characteristics, attitudes and priorities. In the interview data, five categories were identified that were related to managers. These were: competency, conflict management, resourcing, strategic relevancy and paternalism.

Competency. Issues of managerial competency were a rationale for pay secrecy put forward by a number of participants. The capacity of managers to explain the pay system itself was flagged as one reason why organisations prefer to limit pay transparency. Organisations often rely on managers being able to understand the process sufficiently to communicate it effectively to their subordinates. According to one participant: *"Managers don't understand themselves, and they aren't able to articulate properly what the maths and science is behind where people sit."*

Beyond technical skills, participants questioned whether managers possess the people skills necessary under an alternative policy of pay transparency. Participants doubted that most managers have the emotional intelligence required to successfully navigate conversations with employees about differences in pay, particularly when employees experience strong emotions about those pay decisions. When describing the necessary skills, one participant said:

> *"You would need to make sure that the managers are briefed and competent enough to be able to have quite emotional conversations with staff [under pay transparency]. When I say emotional, that they can have a very rigorous and clear communication with their staff who may be emotional about why they're paid, but be able to really articulate clearly the position of one staff member versus another."*

According to participants, this issue is exacerbated when organisational size increases such that responsibility for pay decisions is devolved to more managers. Relating the issue back to her workplace, one participant described the issue this way:

> *"The risk is, in a business the size of the XYZs, where there's probably 2,000, 3,000 managers, you rely on every single one of those managers being able to have appropriate conversations with their staff around why someone in their team is paid differently to another. That's quite hard, because if they don't get that right it's got a bit [of] risk in terms of retention and engagement of those staff."*

Participants also criticised managers' ability to make pay decisions that can withstand scrutiny under pay transparency. Disclosure of these decisions presents the risks of conveying poor managerial judgment and damaging the trust that employees place in the organisation. In particular, participants discussed the challenge of aligning managers' expectations or viewpoints about what represents good and bad performance. They also talked about the difficulty for some managers of distinguishing performance attributed to individual input from performance driven by external factors such as economic conditions and market maturity.

Part of the problem relates to managers receiving no or inadequate training. Participants also believed that managers are not sufficiently trained in providing performance feedback to employees. Participants perceived that problems arise when managers are promoted into managerial positions for their technical capabilities but lack "soft skills" such as relationship management skills, conflict resolution skills and communication skills.

Participants blamed managers for not requesting training and support to build the requisite competencies. Participants also criticised managers for failing to admit when they do not understand the remuneration process and for failing to seek additional help. Together, these issues raise the risks of miscommunication and misunderstanding. For many organisations, pay secrecy is perceived to be the easiest and safest option or, as one participant expressed it, *"the path of least resistance"*.

Resourcing. The interview data indicated that organisations adopt pay secrecy because they lack the resources and capacity to manage pay transparency with their employees. The task of successfully implementing an open pay communication strategy is particularly daunting in the context of limited resources and support within these organisations. Based on the interview data, the transaction costs of drafting and communicating rationales for individual pay decisions inside the firm (and possibly outside) are perceived to be prohibitively high. Participants believed that organisations must prioritise pay information that is pertinent to employees when selecting the type of pay information that they share with employees.

Additionally, organisations assume that transparency requires managers to devote significant time and effort to communicating and explaining pay information to employees. Finally, participants perceived problems in managers being able to provide enough information to satisfy employees that pay outcomes are fair. For these reasons, it was considered both simple and time efficient for organisations to practise pay secrecy. According to participants, pay secrecy helps organisations minimise unnecessary costs for the organisation and avoids placing pressure on managers' time.

Other statements falling under this category related to the overall level of peer support within organisations for pay transparency. Within some organisations, advocates of open pay communication face strong opposition from other managers who are unconvinced that pay transparency delivers organisational benefits. According to participants, this was a factor that – when combined with limited resources – influences organisational decisions to adopt pay secrecy.

Exemplary statements coded to this category included: *"There are just too many other things for managers to worry about"*; *"You're talking about a lot of time needed to deal with employees' inevitable questions and complaints. Managers are just too busy"*; *"They wouldn't have the excess capacity for something like that [pay transparency]"*; *"We're not set up for transparency."*

Conflict. The "conflict" category contains a high frequency of responses overall, suggesting that both organisations and managers think about pay secrecy as an instrument for minimising workplace conflict and promoting a harmonious working environment. Participants offered a variety of justifications for why pay secrecy minimises conflict.

Participants believed that pay transparency creates discord and disunity within work teams that threatens team cohesion and cooperativeness. Pay disclosure was also believed to trigger pay-related jealousy that could result in unwanted acrimony among employees. According to these views, pay information creates unnecessary divisions between employees and inhibits their ability to work effectively together. As one participant explained, his organisation uses pay secrecy to avoid creating *"communities or cohorts of people who potentially might have different agendas to others in the business"*. These kinds of concern appear to be based on participants' workplace observations.

Participants recounted real-life situations in which pay disclosure has caused workplace conflict, not only between employees but also between employees and managers.

Participants argued that pay secrecy helps organisations avoid these issues and creates cooperative working environments. Managing and coordinating the work of employees – who often have diverse interests and preferences – requires a high level of cooperation between managers and employees. From this perspective, pay secrecy is believed to assist organisations to build and maintain positive employee relationships.

However, participants also predicted that conflict might decline over time as managers and employees become accustomed to sharing pay information. Participants also acknowledged that pay secrecy does not always prevent employee conflict. According to participants, pay secrecy does not stem all inter-employee conflict because employees sometimes ignore pay secrecy rules by sharing pay information with each other.

Participants attributed conflict to employees' reactions to differences in pay outcomes between employees. Participants perceived, first, that employees do not like to be treated differently and, second, that exposed variances in pay cause workplace resentments and lower employees' engagement. Exemplary statements include:

> *"They [employees] don't like to see big variations in pay with others. I've only ever seen it lead to fighting and bad feelings between people"; "It never ends well. Employees can't handle it when they find out that someone else is getting more. You see an immediate change in how they interact with that person"; "Pay secrecy helps us keep the peace."*

An observed reluctance to expose differences in pay appears to mirror similar concerns that organisations and managers hold about publishing performance data. Central to this argument is the belief that, in order to minimise conflict, an organisation needs to keep any comparative information about employees secret. According to participants, this approach is also intended to avoid prolonged workplace conflict and debate. Organisations and managers fear that employees will respond negatively to any data or information that compares employees against their peers. It was observed in the interview data that most organisations keep the results of performance evaluations private as well.

A sub-category identified in the data was managers' personal preferences for avoiding conflict. There was strong support for the idea that individual managers support pay secrecy because they wish to avoid becoming personally involved in confrontations and conflict with employees. Without pay secrecy, managers would be forced to intervene in and resolve workplace conflict, anger and resentment triggered by employees' reactions to pay information. Pay secrecy was regarded as critical to maintaining peace and helping managers to avoid these *"uncomfortable", "stressful"* and *"hard"* conversations with employees. Statements demonstrating this finding include:

> *"They [managers] don't want to have to deal with it"*;
>
> *"They don't want the conflict"*;
>
> *"Conflict. Managers try to avoid it. It's confronting, uncomfortable. I think it's fair to say that most people would want to avoid it if they could. And it takes up time as well – sorting out problems that wouldn't be there if you didn't tell people how much everyone else was being paid."*

Strategic Relevancy. According to participants, organisations adopt pay secrecy because the alternative, pay transparency, diverts managerial time and resources away from business objectives. When faced with competing needs, managers must prioritise where to invest their time and resources. When companies adopt policies of low pay secrecy, it creates more work for managers who can be ill-equipped to handle pay-related conflict. It also forces managers to split their attention between operational and HR responsibilities, which, according to participants, can negatively impact organisational performance. Participants believed that pay secrecy frees managers to concentrate more on activities that serve strategic objectives. Paraphrasing a participant, secrecy also saves employees' time worrying about pay equality with colleagues. This, in turn, reduces the time that managers must spend alleviating employees' concerns, justifying pay decisions and managing employees' overall reactions to pay disparity.

Participants believed that their organisations pursue pay secrecy policies because there is no pressing business or strategic need to change from a policy of pay secrecy. Participants, for example, were sceptical about whether transparency can deliver better pay decisions. They rejected the view that pay transparency leads to improved accountability in pay decision making. In dealing with accountability issues, participants reported that their organisations have implemented a range of measures to safeguard the integrity and defensibility of pay decisions made by managers. These measures include compensation training for managers, peer reviews of pay decisions and prescribed pay-setting rules. In addition, internal pay review processes carried out by HR practitioners were also considered to be important elements of effective pay decision governance.

In their own organisations, participants did not observe any interest from managers in increasing the level of pay communication with employees. For the main part, managers were seen as largely indifferent. Whilst it was considered that organisations do not view pay transparency as a source of potential business advantage, neither could participants recall their organisation reviewing or re-accessing the strategic benefits of pay secrecy. Further, participants reflected that organisations often practise pay secrecy based on untested assumptions about employees. A participant summed the situation up this way:

> *"I think it's a really great conversation, and it's a great time to start having the conversation because, as HR starts to think about how can we really get to this high performance and make our teams super engaged, these are the kind of things we need to address, and I think we've assumed for a long time that people don't want their pay details to be shared. But have we really done the research to back up that claim?"*

One participant suggested that his organisation maintains pay secrecy because its management is resistant to changing or shifting away from established, historical policies and processes. He recalled experiencing strong opposition from executives when advocating greater transparency in his workplace.

Participants also questioned the merit of changing long-standing pay secrecy policies. They see that the benefits and costs of pay transparency are uncertain. It is not clear how employees respond to pay information and how this, in turn, impacts organisations. This uncertainty motivates organisations to keep pay information secret rather than adopting a new policy with unpredictable results.

However, there is also some apparent confusion about the primary purpose of pay secrecy within some participants' organisations. Clarity has been hampered by an observable patchwork of pay communications that organisations are reported to provide to employees. In fact, the interview data suggests that most pay communication undertaken in organisations is aimed at providing the minimum level of information to employees needed to administer pay and to satisfy legal requirements. The popularity of the traditional, one-directional forms of pay communication supports this point. This narrow perspective appears to contribute to a view within some participants' organisations that pay secrecy serves an administrative rather than an overly strategic purpose.

Paternalism. Statements relating to this category suggest that organisations see pay secrecy as a form of paternalistic policy. Statements from participants indicated that organisations feel responsible for safeguarding employees' personal information including how much they earn. One participant recalled her organisation justifying pay secrecy to employees on the grounds that it protects their privacy. She said that she and her colleagues were told: *"Guys, the reason that we ask you to keep your remuneration confidential is because it's your private information."*

Pay secrecy policies are perceived to be in the best interests of employees. Participants made statements indicating that pay secrecy is intended to reduce potential distress that employees might experience if they discover performance-based pay differences. However, statements by participants also suggest that organisations are aware that decisions to practise pay secrecy are made without seeking the consent of employees and without being the result of the expressed wishes of employees. In the words of two participants: *"We're concerned about employees who might otherwise get upset, and team leaders who will have to resolve these problems"*; *"Yes, it's about protecting company interests but it's also about protecting the interests of individuals as well."*

An element of this category is the idea of "relevancy". Participants raised questions about whether pay outcomes should matter to employees. Participants argued that how much co-workers are paid should not directly or indirectly affect other employees, and that excessive sharing of pay information would unnecessarily overload people. Based on these perceptions, some participants expressed the view that organisations make decisions to practise pay secrecy partially because managers believe that open sharing of pay information is not useful to employees.

An element of this paternalism seems to be borne from beliefs about the resilience of employees when faced with potentially upsetting pay information. Interview comments suggest that participants lack confidence in the emotional maturity or "coping" skills of employees. Many participants – themselves routinely exposed to high levels of pay transparency – believed that they coped well with pay information yet presumed that other employees would experience negative emotions. This was observed to lead to a sense of responsibility to shield employees from distress in their supposed interest.

Organisation-centric Explanations

The organisation-centric theme contains 183 statements overall, indicating that organisation-related rationales were also important considerations for organisations when choosing pay secrecy. Organisation-centric in this context is defined to mean explanations that relate either to the organisation's characteristics or the broad operation of the organisation. This includes, among other things, the strategic goals of the organisation and its general business practices.

The first set of organisation-centric rationales (categories 12-14) support a view of pay secrecy as instrumental. These categories suggest that organisations make deliberate decisions to adopt pay secrecy in the pursuit of organisational goals such as competitiveness. However, the second set of explanations (categories 15-19) suggest that organisational decisions to adopt pay secrecy are also the product of organisational characteristics. The final category (20) addresses how the properties or nature of pay outcomes can prompt company owners and leaders to keep pay information secret.

Cost Control. Interview data coded to the Cost Control category represents participants' beliefs about the relationship between organisational pay secrecy decisions and cost. Many participants wavered between the two perspectives that pay secrecy either decreased or had no effect on labour costs. Of the two, more participants expressed the view that pay secrecy lowers labour costs and that organizations adopt pay secrecy to minimize these costs.

Statements supporting this category included:

"I've never seen publishing pay result in wages coming down".

"It's almost guaranteed you're (employees) going to go and ask for more money [under pay transparency]."

"Pay secrecy – it's about budget control because you will pay as little as you think you can get away with, and the only way to actually guarantee that is to not tell anyone what anyone else is getting paid."

Participants suggested several ways in which pay secrecy reduces costs for organisations. Insuring against unnecessary wage claims was considered an important matter in organisational decisions to adopt pay secrecy. Participants exhibited a mistrust of employees and suggested that employees – if given access to pay information - would try to extort higher wages. In expressing these views, several participants recalled instances when employees had requested pay increases following the release of information such as pay grades.

In particular, participants feared that pay information would lead to unrealistic pay expectations among employees that would fuel unreasonable pay demands. One participant, for example, suggested that employees might compare their pay with that of senior executives without appreciating the external and internal factors that drove executive pay.

Participants also remarked that pay secrecy avoided potential wage cost spirals. In expressing this viewpoint, one participant drew parallels with rising executive pay following the introduction of mandatory reporting in Australia. Additionally, participants believed that broader, industry-level secrecy contained labour costs by reducing pressure on organisations to match their competitors' pay offers.

However, some participants took the opposing view that pay secrecy had little or no impact on labour costs. One participant doubted that pay secrecy lowered costs by reducing pay claims. She argued that employees sometimes ask for more money under pay secrecy conditions based on rumours, gossip and guesswork. In her view, pay claims in these cases are driven by perceived rather than real pay differentials. However, she also acknowledged that secretive organisations like her own organisation keep payroll costs down because some employees *"tread water"*. In her words,

> *"We've had situations, and we wouldn't be the only organisation, and it happens to people who stay in the same roles, who don't tend to get promoted, and who don't speak up, because the wage increases are just not high enough…. Then suddenly you know they realise that they've been underpaid for five years."*

Adopting a different perspective, one participant recalled that in her organisation, pay secrecy led to higher pay for senior staff but resulted in reduced salaries at lower levels of the organisation. A similar perspective was that organisations with pay secrecy had similar payroll costs as transparent organisations but tended to offer higher salaries to top-performing employees. Under secrecy, these organisations could offset these higher salaries by maintaining lower wages for other employees.

While not directly linking the two, another participant noted that, in her organisation, professional staff who were subject to a pay secrecy policy were awarded smaller pay increases than factory staff working under unionised and transparent conditions. The higher pay increases observed among the factory workers might not necessarily be attributed to pay transparency but to successful collective bargaining by union officials. Nonetheless, these comments perhaps emphasise the greater capacity of employees to negotiate collectively under transparent conditions.

Competitiveness. In the interview data, pay secrecy choices were linked to a number of concerns about organisational competitiveness. Of note, pay secrecy was considered to help organisations make gains at the expense of employees and other firms competing in the labour market. It was suggested that organisations could hire employees more cheaply or attract higher quality job applicants than otherwise possible, if pay outcomes were secret.

Protection from employees leaving the organisation due to pay disputes was an important consideration. It was reported that the adoption of pay secrecy was intended to prevent employees' from identifying better paying roles. Participants feared that, under pay transparency, employees would be motivated to consider external job opportunities, rather than passively accepting potentially unsatisfactory pay outcomes.

Pay secrecy also helped organisations guard proprietary compensation plans. As several participants pointed out, organisations invested considerable effort and resources into developing compensation plans capable of attracting and retaining talented people and, in turn, enhancing organisational performance. According to participants, it would be difficult to protect these plans and the competitive advantage that they offered if organisations were transparent.

In addition, pay secrecy was perceived to give secretive organisations a competitive advantage over transparent competitors. Knowing what competing firms were offering candidates while concealing their own offers was advantageous. It allowed secretive organisations to match or exceed external pay offers while avoiding retaliatory actions or counter offers.

Participants also believed that pay secrecy gave organisations more bargaining power in pay negotiations with existing employees. By controlling the flow of pay information, organisations were better positioned to negotiate pay outcomes at the individual level, based on the specific role and capabilities of the individual employee.

Participants viewed this competitive advantage as a natural element of business. A participant summed this sentiment up best when he said, *"If you can get away with not overpaying somebody, then why would you?"* He compared pay secrecy to the secrecy that organisations use to protect pricing strategies and explained it this way, *"... so it's no different if we publish our trading terms in the company, which is our pricing, publicly to customers then everybody wants the best deal."*

Additional participant comments coded to this category include the following:

"You can't use pay as a lever to hire good people if it's not confidential."

"Pay convinces the people you need to come across. To do that, sometimes you pay a bit more. Not easy if there's pushback from other employees."

"Pay is a component of our competitive position in the employment market."

"There's never an incentive to reveal what you pay people to your competition."

Also coded to this category were statements relating to participants' beliefs about the competitive advantages of pay transparency. The majority of participants do not conceive of pay transparency as providing business benefits. For many of their organisations – especially the larger, more established ones – there is an observable reluctance to shift from existing pay secrecy policies because management does not identify strategic advantages from being transparent. For the majority of participants, pay disclosure is framed and regarded as a legal obligation to be satisfied. It is not perceived as a tool for increasing organisational performance or adding value. Critically, the small minority of organisations in the sample that do practice a small degree of open pay communication were able to identify multiple business benefits from their transparent approach. This might suggest that the way organisations frame these decisions is important.

Flexibility. Participants made statements relating to flexibility, indicating that the degree of pay setting flexibility was an important factor in the decision to adopt pay secrecy. Participants perceived that pay secrecy provided organisations with the benefits of greater flexibility and the autonomy of managers to make pay decisions free from the judgement of employees. The degree of flexibility gained by organisations from pay secrecy provided a number of advantages including the freedom to pay high-performing staff more and to correct existing pay inequities without alerting other employees who might otherwise experience negative feelings or display negative behaviours. With this flexibility, organisations could tailor pay outcomes to maximise the motivational effects on individuals. As one participant explained:

> *"You need to individualise it (pay) because you're going to get a lot more from employees in that way. More engagement. And better performance."*

Without pay secrecy, organisations were considered to have fewer opportunities to award pay rises outside of pay review periods. When one employee received a pay increase, other employees also expected to receive pay increases. Here, the act of giving a pay rise became as much an issue of equality and fairness as much as the pay increase itself.

Finally, pay secrecy provided organisations with greater flexibility to use pay as an attraction tool in the labour market. Under secrecy, organisations had the flexibility to offer competitive pay offers. As one participant explained, *"The money that organisations could offer candidates was not limited to the amount they currently paid employees."* Pay transparency, by contrast, was criticised for its inflexibility which was believed to leave little room for organisations to negotiate effectively with talented or sought-after job candidates.

Systems and Performance Measurement. This category contains two closely related sub-categories: Systems and Performance Measurement. The first category captures participant statements relating to the quality and reliability of organisational systems and models that support pay decisions. Participants suggested that pay secrecy hid poor pay decisions caused by deficient practices and processes. Participants generally expressed the belief that their organisation lacked the necessary maturity or sophistication in their pay setting processes or outcomes to open the books to employees. Pay secrecy veiled poorly conceptualised and designed pay decision systems that included the absence of pay grade structures and loosely designed performance review processes that caused unsatisfactory pay decisions. Participants expressed the idea that pay transparency would also expose deficiencies in the pay decision process. As one participant said, *"Companies that want to keep it [pay] secret aren't doing enough at the other end."*

The second sub-category addresses performance measurement. Participant statements in this sub-category attributed pay secrecy to low confidence in performance measurement systems. For many participants, the reasoning behind disclosing performance-based pay decisions to employees is evident: by demonstrating that higher performing employees are paid more, organisations might motivate other employees to lift their performance and output. However, developing effective performance measuring systems to support this transparency has been difficult. Even with robust performance assessments, real differences in performance between co-workers can be unclear or difficult to quantify. According to participants, this issue is particularly evident when employees work interdependently and collaboratively.

Participants were also unsure whether employees would accept the evidence that robust performance systems could provide. Regardless of the effectiveness of performance systems, participants perceived that employees might still have lingering doubts about the fairness of pay outcomes. Faced with these challenges, organisations opted to practice pay secrecy. Statements coded to this category included:

> *"Being able to measure every individual's performance with a high degree of certainty is a problem for us."*
>
> *"Employees get frustrated when you can't pinpoint the difference in their work that explains why that person over there is getting paid more than them."*
>
> *"We just aren't advanced enough in the way we track performance to open it [pay] up for everyone to see."*

Administration Legacy. The interview data suggests that, in some cases, organisations practice pay secrecy for historical reasons, although the frequency of statements coded to this category was low. Based on participants' statements, ongoing organisational decisions to practice pay secrecy often represent the continuation of existing practices rather than deliberate strategic choices. Participants identified a general reluctance within their organisations to change existing policies and practices. Without an observable or pressing need to change, participants believed that organisations preferred to leave historical pay secrecy policies untouched. As one participant explained:

> *"We really just inherited it (pay secrecy) through time and it hasn't really changed." Participants attributed this to managers feeling comfortable with the status quo. One participant pointed out, "I would say at the moment they're just so used to operating in that regard, I"m not sure if they know whether they like it or they don"t like it. This is just how we operate.'*

It was also reported that pay secrecy approaches were based on pre-existing communication models that generally discouraged sharing information with employees. Participants commented that there was little enthusiasm in organisations to review these traditional disclosure approaches. In addition, these organisations had historically treated all HR-related data as confidential.

Performance Recognition Practices. The interview data yielded a low number of statements relating to the Performance Recognition Practices category. This category captured participants' views that pay secrecy policies were influenced by the availability of alternative methods for recognising and rewarding employee performance. Participants commented that organisations are more likely to practice pay secrecy when they use other strategies to encourage desirable work performance and behaviours among employees. These include a combination of non-monetary benefits or rewards used by organisations to signal good performance. As one participant recalled, employees could distinguish the seniority and pay of his organisation's salespeople based on the type of company car they drove. In another participant's organisation, succession programs and position titles were used to recognise high-performing staff instead of pay transparency. He described how talented employees were publicly recognised through a highly visible talent management program. In other cases, employees that were unlikely to be promoted but demonstrated technical proficiency were elevated to position titles, such as "Master", a term intended to recognise and pay respect to their expertise. According to participants, the separation of performance recognition and reward from pay had not diminished employees' satisfaction or performance. In the words of one participant:

"So there are other things that we do to award performance. And it doesn't create the same dramas. You see people congratulating them [high performers] rather than being annoyed or jealous. Better for morale too."

However, several participants recognised the importance of pay in motivating employees but expressed concerns, which were captured under the employee-centric theme. A risk response included the uptake by organisations of other rewards intended to publicly recognise good employee performance. This finding suggests that pay secrecy can be influenced by the presence of other rewards but it is also a factor that leads to the introduction of other performance recognition methods.

Organisational Scale and Complexity. Participants made statements expressing the view that organisational size and complexity contribute to organisational decisions to adopt pay secrecy. In making these comments, participants suggested that large, complex organisations are better suited to pay secrecy than transparency. This is based on the idea that pay transparency creates costs, which tend to rise as the organisation grows, and pay transparency is also harder to manage with an expanding workforce. In smaller organisations, it was perceived to be easier for company owners and HR teams to offer high-touch and interactive approaches that could effectively manage and quickly resolve issues or a fallout related to pay communication. Larger organisations are perceived to have fewer opportunities to manage pay transparency well. Communication practices shifted toward lower-touch, more efficient methods to reach bigger internal audiences. HR practitioners with subject matter expertise have increasingly delegated pay communication to operations managers who do not necessarily possess a satisfactory understanding of pay policy and processes.

Additionally, participants reported a decline in pay transparency benefits as organisations increase in size and the costs of administering transparent pay systems rise. Consequently, it does not appear to be economically viable to practice pay transparency as firms grow. Sample comments relating to this sub-category include:

> *"It gets complicated quickly. The bigger the business gets, the harder it becomes to achieve consistency in how pay is reported down the line. And the business is now relying on more people to get that message right."*

Organisational Culture. This category captures participants' statements about the effects of organisational culture on the adoption of pay secrecy. Some participants linked their workplaces' observable pay secrecy to their organisations' wider corporate culture and values. The explanations given by participants for this relationship varied. Participants believed that pay secrecy policies reflected a conservative management style. Describing her organisation as conservative and old-fashioned, one participant suggested that her company's stance on pay secrecy was merely part of a broader position that the company took toward limiting liability and risk in employment relationships. When explaining why his organisation enforced pay secrecy, another participant said, *"We're quite old school."* Participants also linked pay secrecy to non-confrontational workplace cultures and weak performance management behaviours in organisations.

Participants pointed to a secretive organisational culture in terms of business and social expectations affecting pay secrecy. They suggested that their organisations behaved secretively because they were part of a broader, Australian business culture and so were following the path set by other organisations. The tendency of organisations to adopt the same or similar attitudes toward pay secrecy suggests some degree of herd behaviour. If organisations in a particular industry adopted pay secrecy practices, then other organisations were inclined to as well. One participant described this as *"everybody moves to the common denominator"*.

Based on participants' comments, organisational pay secrecy was also driven by the employees' cultural backgrounds. Organisations with multicultural workforces comprised employees with varying values in regard to sharing pay information. In the case of one participant's organisation, pay secrecy was facilitated by a large proportion of its workforce that culturally considered pay to be a taboo topic. In contrast, another participant reported that the prevailing cultural background of her organisation's workforce encouraged greater pay transparency.

Pay Outcomes. Finally, participants reported that organisations practice pay secrecy to conceal pay disparities from employees. Based on the interview data, the motivation for organisations is clear: pay secrecy does, in effect, provide management with the opportunity to shield their pay decisions from employees, making it more difficult to detect variations in pay that organisations cannot easily justify. Participants attributed these pay variances to historical pay decisions, pay decision bias and differences in performance among employees. Several participants traced patterns of wide pay disparity back to overly generous past remuneration polices. Participants had also inherited decisions from earlier pay setting policies leaving a legacy of wide dispersion in pay among employees doing similar, sometimes identical work. Pay secrecy also concealed pay bias and discrimination, particularly in relation to gender-based pay differences. According to many participants, pay secrecy was considered an easier option than correcting many of these pay disparities.

However, the interview data also suggests that pay secrecy does not necessarily indicate that managers had been untrustworthy. Pay variations were also linked to demonstrated differences in individual performance. In other cases, roles and job responsibilities in organisations were difficult to standardise, leading to unintended pay variations. Participants also linked pay variations to differences in employment tenure. As participants pointed out, some employees are paid more simply because they have been employed for longer and have benefited from successive annual pay increases. One participant illustrated this issue well:

> *"For example, if you've got two people doing the same job and one person's been doing that job for four years and they get a merit-based increase of 3% per annum, then their salary level will be higher than someone that comes into the job."*

Similarly, another participant made the following comment:

> *"We did have circumstances where we had staff members being paid far more than their team leaders, because they'd been in their role for decades, and had salary increases."*

Findings Summary

The qualitative analysis showed that the reasons organisations implement pay secrecy can be organised into three groups: employee-centric, manager-centric and organisation-centric explanations. Many of these rationales are instrumental in nature and often aimed at protecting organisations against the anticipated fallout of employees gaining access to pay information. These are founded on a strong belief that employees respond in negative ways to differences in pay between themselves and others. The rationale behind these explanations seems to be that by keeping pay secret, organisations can avoid alerting employees to pay differences, and in doing so, promote their interests.

However, whilst there is a strong element of risk management in these explanations, the findings also demonstrate some complexity and nuance in organisational rationales for pay secrecy. Organisational decision makers, for example, are shown to weigh up the needs of both organisations and employees when making decisions to implement pay secrecy. A strong focus on protecting organisations is also matched by concerns about employees' welfare and preferences for confidentiality.

Adding to these instrumental explanations, the implementation of pay secrecy is also influenced by setting and contextual factors. Organisational characteristics are shown to influence the development of pay secrecy, suggesting that pay secrecy is more likely to develop in particular organisational environments.

Table 4.4: Results of Thematic Analysis for Research Question 1: Why do organisations signal pay secrecy to employees?

Themes and Categories	**Frequency**	**Sample Comments**
Employee-centric Explanations	333	
1. Emotions	81	*"It [pay transparency] can promote ill will, and a lot of debate and envy, and generally is non-productive."* *"I think the green-eyed monster is always going to poke his head up at some point, especially at those lower levels."*

Themes and Categories	Frequency	Sample Comments
		"Money is a very, very tangible demonstration of your value in the eyes of the organisation, the most... I mean the most tangible representation of your value. And I think that's why it is emotional, because it's how many employees you know judge whether they've done a good job or a bad job, whether they're valued or not valued." *"Obviously your pay is not a... it's not really a matter of what you're worth, but I think people do associate it quite closely, and so I think pay just... it holds the element of emotional capacity that a lot of other parts of the contract don't."*
2. Behaviours	64	*"It's really about minimising conflict and protecting office morale."* *"I'm sure they would leave [if there was pay transparency]."* *"I think it [pay information] opens up too many doors for dispute."*
3. Objectivity	36	*"Most people come out of a conversation [about pay] feeling dissatisfied, and they never get the full context. And even if you provide them full context, which you're not probably going to do because it gets into a personal discussion, that the only thing that they ever come away with is that person earns more than me. And you know, they can't justify that in their own mind, or make sense of it, so it's never really a positive outcome."*
4. Comprehension	32	*"I don't think people fully realise how you come to a salary figure, that you take into account market, industry, skills and*

Themes and Categories	Frequency	Sample Comments
		knowledge of the person, years of experience, I don't think people comprehend exactly." *"Try and explain how you measure a job – market movements, competitiveness, competitor activity, retaining staff. It's this big pot of issues that drive why people get paid."*
5. Acceptance (of concealed pay disparities)	74	*"You know the disparity in the workplace, you just – it would immediately crush your soul to know that you are earning less than someone who is doing a job similar to yourself."*
6. Preferences	32	*"I think pay secrecy protects the employer and the employee's dignity."* *"In our industry – so just going back to the example of the two people who graduated together, they've both got the same amount of work experience but one obviously outperforms the other, is more valuable from a creative sense, client relationship management, so she's taken on a lot more responsibility, so I think in that instance it's probably valued to have pay secrecy because they don't want the lower-paid person to be upset that they're not earning – that the lower-paid person would feel, I have the same level of experience et cetera et cetera but the company perceives it quite differently."*
Manager-centric Explanations	145	
7. Competency	41	*"We've got a lot of supervisors and team leaders that are in management roles but*

Themes and Categories	**Frequency**	**Sample Comments**
		shouldn't be in a management role. And I think if employees had that information, I don't think those managers would manage it correctly."
8. Conflict avoidance and relationship management	75	*"I think a lot of humans are conflict averse and that carries over into the workplace. And then you have the added layer of they [managers] would feel responsibility for delivering the functional output and keeping the wheel turning. Therefore, they'll do things to seek to avoid conflict."* *"A lot of managers are conflict-averse and they prefer just to keep that under wraps.'*
9. Resourcing	11	*"They would perceive that it will create more work for them."*
10. Relevancy	9	*"There would need to be a very compelling reason to disclose that kind of information to staff and I can't think of one."*
11. Paternalism	5	*"We do it to respect the privacy of our employees."* *"We're saving people from a lot of unnecessary distress."* *"Employees don't need to know what others are paid. It's not going to help them."*
Organisation-centric Explanations	183	
Instrumentality		
12. Cost Control	35	*"Costs would be lower when there's pay secrecy, higher when people know each*

Themes and Categories	Frequency	Sample Comments
		other, because again, you default to bring the people up."
13. Competitiveness	14	*"I can't think of a good reason why you would want to erode a valued source of competitive advantage by broadcasting it. It's no different to any other sensitive information."*
		"I think to have more bargaining power I would imagine. To be able to negotiate terms based on an individual and the role. And not necessarily on... what am I trying to say, not necessarily on what others are earning at the same time."
14. Flexibility	31	*"I think it (pay secrecy) provides us with some flexibility in terms of what we're able to do."*
		"By having the secrecy there's certainly a lot more flexibility to pay people different amounts for effectively the same work."
<u>Organisational characteristics</u>		
15. Systems and Measurement	19	*"There are not many companies that have actually gone through that rigour to be able to, hand on heart, have a conversation and justify why some people are paid different rates. So, it takes quite a sophisticated company to do that."*
16. Administrative Legacy	11	*"It's just the way it's always been."*
		"I think it's probably a legacy to be honest."
		"So, it's probably something that we really just inherited through time and it hasn't really changed."
		"I don't know that it's sort of a conspiracy to keep information away from people as

Themes and Categories	Frequency	Sample Comments
		much as how it's always been done is my sense."
17. Performance Recognition Practices	6	*"I would also look at other motivators and what other things motivate them and drive them. It might be time with their family, more of a work-life balance."* *"I mean there are plenty of ways to reward and recognise people through titles that doesn't necessarily involve their pay."*
18. Organisational Scale and Complexity	3	*"It's [pay transparency] not realistic for an organisation of our size and complexity."* *"Just because the way the businesses have organically grown."*
19. Organisational Culture	23	*"Our organisation is very conservative and sort of old school in the way they do things…and it's a very conservative way of doing business."* *"You know, very few organisations want to be at the bleeding edge of thought leadership." [in relation to adopting pay transparency].*
<u>Pay Outcomes</u>		
20. Pay Outcomes	37	*"Really difficult…. to go to everybody and say yep we're going to be open with it now and then potentially having people come back to us and like having to justify why.*"

Notes: Total theme frequencies include 22 miscellaneous statements coded to "Other". Distribution of "other" statements were: Employee centric (14), Manager-centric (4) and Organisation-centric(4).

How do organisations implement pay secrecy?

Themes and Categories

Having outlined the rationales behind pay secrecy, this section reports the various strategies that organisations use to implement pay secrecy. It discusses how pay secrecy policies work in practice and how organisations encourage employees to comply with these policies.

Generally speaking, organisations use five strategies or groups of signals to encourage pay secrecy in the workplace. The first group, rules, comprises formal organisational policies and managerial instructions that compel employees to keep their own pay information secret from others. The second group, managerial behaviours, includes actions or behaviours exhibited by managers that model or establish expectations about how employees should treat pay information. Organisational culture and norms constitute the third group, representing the collective values and shared beliefs present in workplaces shown to influence the uptake of pay secrecy behaviours by employees and managers. The fourth group, administrative practices, incorporates the processes organisations employ to determine pay and the methods used to communicate pay information to employees. In addition, it covers managerial decisions to collaborate with, and involve, employees in pay determination. The final group, pay disclosure attributes, includes relevant organisational documents and addresses the depth, breath and type of information that organisations record and communicate in relation to pay information.

In total, participants made 610 comments regarding factors relating to the way organisations implement pay secrecy in organisations. These comments were organised into five themes. Table 4.5 shows the final dimensions and associated sample comments.

Table 4.5: Typology of pay secrecy signals sent by organisations to employees

Themes	Categories
Rules	Written and verbal pay secrecy instruction
	Contractual restraints (employment contract)
	Enforcement
Managerial Behaviours	Self-disclosing behaviours
	Behavioural reaction to employees' self-disclosure
	Pay disclosing behaviours
	Expressed attitudes and values in relation to pay confidentiality
Organisational Culture	Communicated corporate values and philosophy
	Observable workplace transparency
	Pay information sharing behaviour and norms in the workplace
Pay Disclosure Practices	Pay communication audience (private versus group setting)
	Timing and delivery method of pay communication
	Pay secrecy policies embedded in HR processes and practices

Themes	Categories
Pay Disclosure Attributes	Depth, breath and type of pay information disclosed in written communication (including pay process and procedural documentation and pay communication strategy and policy documents).

Rules

Participants reported that organisations limit the potential for pay disclosures through workplace rules that prohibit these behaviours. According to participants, these written rules are enshrined in a number of measures, including 1) the employment contract; 2) organisational policies; and 3) procedural documents. As the interview data shows, the typical approach used by organisations is multifaceted.

The availability of multiple strategies for concealing pay information and creating secrecy creates the perception that pay secrecy rules by themselves cannot adequately address the issue of pay secrecy among employees. The interview data suggests that the development of effective measures to create and maintain pay secrecy in the workplace is not straightforward as it relies on a combination of approaches used by organisations to signal pay secrecy expectations to employees. Consequently, the interview data seems to indicate that the introduction of strict pay secrecy rules and penalties provide incomplete explanations of how organisations create pay secrecy.

Written and verbal pay secrecy instruction.

Formal Policy. Most participants reported that their organisations administered pay secrecy policies. Organisations did not publish distributive pay outcomes – either in the form of base pay, pay increases or discretionary bonus payments – to employees. Likewise, organisations did not sanction the disclosure of pay information among employees.

However, participant statements indicate there is confusion regarding the formality of these pay secrecy policies. Few participants had sighted a written pay secrecy policy while fewer still could recall the details of these policies.

Several observations can be gleaned from these findings. Firstly, organisations are secretive about pay. Participant statements clearly show that organisations disapprove of, if not prohibit, the sharing of pay information by employees. Secondly, pay secrecy policies are largely informal. Organisations do not officially record these policies, or if they do, access is heavily restricted. Only two participants – of the forty people interviewed – reported that their organisation's pay secrecy policy was specified in either their company's remuneration policy or employee manual.

But whilst there is limited evidence that organisations have formal, written pay secrecy policies, the interview data indicates there is broad acceptance and understanding about pay secrecy policies in organisations. An example of a statement coded to this category was:

> *"From an organisational perspective, no, it's not a policy that's written anywhere, but all the HR professionals know that pay information stays secret."*

Pay Secrecy Policy Communication. Participants reported some divergence in the way organisations communicate pay secrecy policies. Organisations use a combination of written and verbal, formal and informal communication methods. The interview data shows that pay secrecy policies were commonly disclosed through formal top-down written and verbal communication. Pay secrecy policies were usually cascaded – starting at the leadership teams followed by HR departments and finishing with operations managers who conveyed pay secrecy instructions to employees. One participant gave the following example of instructions given to managers before distributing pay increase letters:

> *"The team leaders would all get reminded before the letters were handed out that this is meant to be confidential and, you know, staff would all be told that it's all meant to be confidential before they get their letters."*

Organisations also formally conveyed pay secrecy policies directly to employees through official, written correspondence. In several organisations, letters announcing pay increases or bonuses instructed employees to keep changes in pay confidential. As described by one participant:

> *"As part of receiving the bonus or the increase, the letter would say, "Please don't disclose this to anybody else, keep it confidential."*

Another participant disclosed:

> *"When we give out annual REM increases or annual bonuses, as part of that letter we do ask for team members to keep that confidential as well."*

In addition, pay secrecy policies were verbally communicated by managers while carrying out day-to-day duties. The interview data suggests that this type of communication is triggered by human resource initiatives such as annual performance review programs and merit pay cycles. Often, this relaying of information is intended to remind employees to keep pay information secret. However, there is also evidence of spontaneous communication; for example, managers verbally relayed pay secrecy policies to employees when they publicly raised the topic of pay, requested pay increases based on comparisons with co-workers' pay or were observed engaging in pay-based discussions. In these circumstances, employees were instructed to keep their pay information secret. Two participants expressed it this way:

"We discouraged people from discussing pay with each other."

"We tell everyone that they are not allowed to [discuss pay]."

The interview data also suggests that pay secrecy rules were often communicated to employees on an ad hoc and needs basis. In one participant's organisation, employees are reminded of pay secrecy rules when they are awarded an out-of-cycle pay increase.

Within organisations, some informal communication about pay secrecy policies also occurs. Informally, pay secrecy policies are usually conveyed through word of mouth, gossip and rumour. Interview data indicates that both employees and managers engage in this type of behaviour with peers.

The overall effectiveness of organisations in communicating pay secrecy policies seems to vary. When asked if employees understood, one participant said:

"I'm not sure. I don't know that they [employees] would say that they are not allowed [to talk about pay]. I think some people just wouldn't want to discuss pay potentially. But from those that have - the few instances that I know of - the employee didn't really feel that they had done anything wrong. They felt that it was their pay and so they could tell anybody that they wanted about it."

But participants also recalled employees requesting pay increases based on vague grounds such as doing research about co-workers' pay without offering specific details or naming the co-workers in question. By way of explanation, participants believed that employees avoided divulging more information knowing that it would be an admission that they had broken pay secrecy rules.

Contractual Constraints (Employment Contract).

Most participants reported that their organisation used employment contracts to formally prohibit employees from disclosing pay details. Often employment contracts did not include specific provisions about pay secrecy but contained general confidentially clauses that prevented employees from disclosing any contract details to others – including pay information.

While employment contracts were evidence of formal pay secrecy policies, participants did not view them as crucial for achieving pay secrecy. One participant explained that in her organisation, the introduction of pay secrecy clauses in employment contracts had less impact since managers were already verbally warning employees against disclosing their pay. In her words, *"The mindset was already there."*

In summary, employment contract clauses were used as a general deterrent aimed at increasing pay secrecy behaviour by directing the threat of sanction at all employees. However, participants believed that contractual constraints targeting the disclosure of pay information did not generate significant deterrent effects.

Although pay secrecy provisions are drafted in employment contracts as specific and narrow rules, organisations tend to interpret them as open standards. Often, the presence of employment contract prohibitions does not guarantee that an organisation will respond to known breaches. The interview data indicated that organisations do not respond to breaches with automatic penalties or punishment. However, in many participants' organisations, the presence of non-disclosure clauses in employment contracts gave management the latitude to apply penalties or sanctions when needed to employees who shared pay information.

Enforcement.

Pay secrecy monitoring and enforcement are methods used by organisations to create pay secrecy through the reduction of actual pay disclosures and discouragement of future pay disclosures by employees. Almost all participants perceived that their organisation would take action in case of policy breaches to maintain pay secrecy. However, the data indicates that pay secrecy enforcement can be inherently flexible leading to a tension between formal pay secrecy rules, and their interpretation and application. In many instances, formal rules guide the response of HR practitioners and managers to employee breaches but the data suggests that organisations do not respond to policy breaches in a consistent or prescribed way. Organisations show a general reluctance to apply penalties, except in circumstances when the breach has caused evident distress to other employees. When responding to breaches, organisations often adopt softer sanctions than those laid out in formal rules and employment contact clauses. The following two statements demonstrate this approach:

> *"There would definitely be a discussion that we didn't think it was appropriate...but whether we would go even further than that would depend on the employee and everything else. If there were other behaviours as well, he or she might get a verbal or written warning. But I think that on its own, if it was just that they didn't realise or didn't know, then we would probably take it as far as a discussion."*

"I think we might have had one incident in 12 years where we said to the person, "This is not appropriate," because what they were doing was throwing it in the face of the other person. It wasn't like, "I'm sharing and telling you." This was a kind of provocative move from the person."

However, the rates at which organisations enforce pay secrecy are also limited by the availability of evidence. Proving that employees have violated pay secrecy policies makes initiating formal disciplinary action difficult as the following statements indicated:

"You can't prove that they [the employees] had the conversation or what was said short of taping the conversation."

"If we were to formally find out that it has taken place, then there would obviously be consequences, but most of the time we don't know."

Enforcement of pay secrecy policies was also limited by the organisations' ability to police employees. According to participants, organisations face the difficulty of monitoring employees' behaviour to detect pay disclosures. Because inter-employee pay disclosures are often difficult to discover, it is not possible for organisations to limit the potential for pay disclosures through the threat of punishment alone.

Finally, the extent to which organisations enforced pay secrecy depended on the quality of organisational processes and policies that could support serious penalties. This caused one participant to describe her organisation's pay secrecy policy as *"very badly followed and very badly enforced."* Another participant criticised her management team's general lack of discipline in relation to enforcing company policy.

Managerial Behaviours

The interview data clearly shows that practices and behavioural norms demonstrated by management contribute to an environment of pay secrecy. Managerial signalling can be summed up as a plurality of behaviours, actions and expressed attitudes by managers. To encourage employees to keep pay information secret, managers articulate their expectations to employees and model a range of pay secrecy behaviours. These behavioural expectations and rules are important mechanisms for maintaining secrecy around pay because they explicitly demonstrate how organisations wish employees to behave. This covers situations where managers demonstrate pay secrecy behaviours through their treatment of employees' pay information as well as their own.

Typically, pay secrecy behaviours vary among managers. However, most participants reported examples of managers "acting in concert" to discourage pay disclosures. Participants believed there were significant commonalities in the way managers treated pay discussions, suggesting managers understood the importance of demonstrating pay secrecy behaviours or "*leading by example"*.

Common examples from the interview data include:

- Responding to subordinates' pay queries in private;
- Conducting all pay-related meetings in private meeting rooms and offices and avoiding pay-related discussions in open-plan offices;
- Demonstrating disapproval of employees discussing pay;
- Verbally discouraging employees from discussing pay;
- Refusing to engage in conversations about peers' pay with employees;
- Being secretive about their own individual pay; and,

- Demonstrating and expressing personal values of pay confidentiality.

While it is typical for organisations to use these behavioural-type signals, the emphasis on managerial signalling differs from one organisation to another, resulting in greater or less reliance on other forms of pay secrecy signals, such as rules. Sample participant statements for this category included the following:

"It just seemed that we weren't allowed to do it. Nobody talked about it in the open. There was a lot of secrecy around it. Lots of meetings behind closed doors."

"Managers are discrete about salaries and they encourage their team to keep their own salaries to themselves. By demonstrating privacy, managers communicate to their team how they expect them to behave with regard to their pay."

"We don't encourage it in the workplace. And people know that. Employees tend to be careful. When they want to talk about pay, they don't announce it to everyone. They usually set up a meeting with their manager or HR. Or payroll. So the policy doesn't stop private conversations, but people take their cue from management about what's acceptable and what's not."

"I think it's reasonable to say that employees are less inclined to talk about pay, at least out in the open, because of the position the 'organisation' has taken overall."

Organisational Culture

The value of pay secrecy rules is widely acknowledged in organisations. However, while organisations see a clear need for pay secrecy rules, they regard compulsory pay secrecy rules only as one part of a pay secrecy strategy.

Because pay secrecy depends partially on individual cooperation and buy-in, a pertinent organisational issue is the development of this type of employee-based support. Generally, organisational culture was shown to influence the uptake of pay secrecy behaviours by both employees and managers. Organisational culture describes the common beliefs, assumptions and values held by people – including owners, employees and managers - within organisations (Hatch, 1993; Pettigrew, 1979; Schein, 1985). It is these belief systems and shared thinking that give meaning to organisations (Wallace, Hunt, & Richards, 1999). Organisational culture is distinct from the prior category which specifically addresses the demonstrated actions and behaviour of managers who represent a category of organisational stakeholders.

Adopting an organisational culture of pay secrecy is viewed as important for encouraging employees to develop normative standards in relation to how they treat pay information. Its advantage is that employees become, in cooperation with managers, responsible for keeping pay information secret.

Without strong secrecy norms, employees might still be tempted to disclose pay information to others. Several participants expressed the view that formal rules and policies are not sufficient to cultivate pay secrecy in organisations. They perceived that ratcheting up pay secrecy rules to compel employees to keep their own pay information secret would not succeed and could even push employees to behave in more subversive ways to circumvent such rules. According to participants, a pay secrecy culture sometimes offered a more effective way to overcome difficulties of surveilling and policing employees' compliance to pay secrecy rules.

Pay Disclosure Practices

Organisations favour communication methods that grant them greater control over the flow of pay information in workplaces. These methods are commonly used by management to preserve information asymmetry between employees even if they appear to ostensibly protect employees' confidentiality.

Most commonly, pay disclosure takes the form of confidential letters and emails sent to individual employees. An underlying characteristic of these methods is that they serve only to announce or notify employees of changes in pay or pay policy that are specific to the individual. As a form of communication, they do not allow employees to directly or immediately respond to, or raise questions in relation to the information disclosed.

These methods are believed to preserve the privacy of employees. However, participants expressed the view that this approach also restricts the voluntary flow of pay information among employees. In many instances, written correspondence clearly states that employees are not permitted to disclose pay information to others. This approach makes it possible for organisations to silo pay data thus containing the dissemination of pay data and, in effect, making it more difficult for employees to establish pay differentials.

The interview data seems to indicate that pay communication in organisations is highly secretive and offers limited guidance for employees and job candidates. There is far greater observable secrecy in relation to pay outcomes but information in relation to pay processes, systems and policies, while more transparent, tends to be vague and imprecise. Formal communication relating to pay determination and associated processes was reported to be of a generic and highly generalised nature.

A reported tendency to follow industry pay communication practices also resulted in a high level of standardisation in the way pay information was presented to employees, which revealed little about how individual pay decisions were made. Participants expressed views that this approach was usually sufficient to provide a "*high-level overview*" or "*sense of the process*", although a few participants wondered whether this framework had the potential to confuse employees. Organisations adopting this approach took the view that pay communication should provide adequate levels of information to satisfy employees that pay processes were fair without encouraging workplace discussions and debate.

A few organisations elected to provide highly detailed information about pay determination models and processes. However, participants reported that these organisations often adopted inaccessible presentation styles - technical rather than reader-friendly - requiring compensation expertise, resulting in employees struggling to understand how pay policy was interpreted and applied in practice.

In many cases, participants' organisations did not completely ignore their employees' information needs. Participants reported that organisations made pay information available from multiple sources, for example, their internal websites contained an overview of the pay policy or process. However, the published information was generally not detailed enough. Internal HR departments often provided an overview of the pay determination process if employees sought it but the information was usually provided in a vague manner without revealing any details beyond the basics of pay determination.

Often, individual written correspondence is the most widely used mechanism to communicate pay-related information with employees. A large number of organisations reduce pay communication with employees to an annual pay increase letter, outlining changes in pay arising from an annual performance evaluation or review. Company websites and other online methods are less important and account for only a small proportion of pay information dissemination in organisations. This approach enables organisations to maintain control of aggregate pay information and, at the same time, share with each employee only details of his or her pay. Limiting employees' pay knowledge in this way allows organisations to satisfy legal requirements while giving management substantial power.

Finally, interview data suggests that pay communication strategies were adaptive, changing depending on organisational needs. For example, one participant's organisation scheduled a series of HR meetings with individual employees when the organisation replaced its pay grading system.

In summary, the interview data suggests that pay communication with employees is reactive. Participants reported that organisations wait for employees to initiate pay discussions or request information. As a result, the overall level of pay communication in organisations is minimised.

Pay Disclosure Attributes

The interview data shows that many organisations engage in "boilerplate" written pay disclosure, sharing only basic, generic information regarding pay policies. However, in many cases it is difficult for employees to understand how their own pay is calculated.

Few organisations disclose more pay information to employees than existing employment laws oblige them to reveal. When additional information is presented, it is often not provided in an accessible or engaging way to employees, reducing employees' pay knowledge while maintaining pay information asymmetry. The disclosure of the wrong type of information or the overly generalised presentation of information has the potential to reduce employees' pay understanding, as it can hide pay differentials between employees.

Sample participant statements for this category included the following:

"Everyone receives an annual letter. It's a fairly generic template that basically states a person's new salary and the date their new salary is effective from. That's about it."

We comply with whatever our legal requirements are in relation to pay obviously. People are notified of any changes in pay but beyond that, we're not in the habit of communicating a lot about pay."

"No, the comms [communications about pay] don't really go into detail about how the decisions are made except in the general sense that the pay rise is related to how well they performed."

Section Summary

It is apparent from the interview data that pay secrecy presents a concerted and deliberate effort by organisations to restrict employees' pay knowledge. Organisations essentially engage in a form of information partitioning, whereby each employee receives information relating only to his or her own pay.

To achieve this, the qualitative study suggests that pay secrecy rules are important, but possibly not to the extent that researchers had anticipated. Participants' experiences show that organisations do enforce rules to prevent employees from sharing pay information. However, it is important to note that this rules-based approach is applied in conjunction with a wide range of other measures intended to discourage pay disclosure in the workplace. Problems surveilling employees' pay disclosing behaviours seems to have resulted in decisions by organisations to use other tactics - such as building corporate cultures and norms - that are suggestive or encouraging of pay secrecy behaviours. In this way, organisations influence the pay secrecy preferences of employees rather than simply forcing employees to be secretive.

Table 4.6 Results of Thematic Analysis for Research Question 2: How do organisations signal pay secrecy to employees?

Themes	Frequency	Sample Comments
Rules	136	*"Yes, it's a rule. Employees aren't permitted to talk about pay."* *"It [disclosing pay] wasn't a sackable offence."*
Managerial Behaviours	140	*"I called them in with their people manager and had, you know, an informal warning issued to them not to discuss salary and pay and the sensitivities around that. So again, nothing formalised.*
Organisational Culture	110	*"It's [pay secrecy policy] just embedded in the culture, I would suggest."* *"We're very multicultural and sometimes we bring people from overseas. We sponsor them on visas, and there are certain cultures that tend to, as part of their culture, talk about salaries."* *"Well, it was a cultural thing. It was a cultural thing. If you wanted to have a pay discussion, it was a one-on-one thing. You didn't mobilise with colleagues. That would be the antithesis of the bank culture."*
Pay Disclosure Practices	64	*"Information is tightly held. You find out things down the track or else on the grape vine. It depends on how well connected you are in the business. We're a high-profile*

Themes	Frequency	Sample Comments
		company, so a lot of information is published in the media. But internal communications aren't great. It could be much better. The company errs on the side of secrecy."
Pay Disclosure Attributes	115	*"It's in a lot of policies. So, there'll be a lot of remuneration policies that state it. A lot of contracts state it, to say you must keep your remuneration details confidential."*
		"There's something either in the Employees' Policies Manual or in the contract saying that your terms and conditions are private and confidential. Actually, I think the employment contract does say that all terms and conditions are private and confidential and are not to be discussed."

Findings Summary

Organisations were shown to administer their pay secrecy policies using a variety of approaches. It is not the purpose of this research to delve deeply into the definition of pay secrecy, but it is important to draw attention to the problems of adopting an overly prescriptive and narrow definition of the practice. Clearly, organisations regard pay secrecy from widely differing perspectives.

Pay secrecy rules are rarely limited to pay outcomes. Pay secrecy is a complex issue which extends beyond colleagues' actual pay to limit employees' access to other pay-related information. The research findings illustrate that, in practice, organisations demonstrate a reluctance to share detailed information with employees about their pay determination philosophy, compensation framework and strategy.

The signals that organisations use to achieve pay secrecy were also found to vary widely. Current literature differentiates two approaches: the introduction of explicit pay secrecy rules and the non-disclosure of pay information to employees. However, the findings presented here suggest that pay secrecy implementation is more nuanced and varied.

The differences evident in the type and execution of pay secrecy policies can be traced back to organisational choices to enable management to evaluate to what extent policy alternatives are aligned to the organisation's goals and welfare. This decision-making style embodies the cost-benefit analysis used in economic models of rational decision making and previous signalling theory research. However, other factors also influence pay secrecy policies, such as management values, environmental setting, assumptions about employees' personal preferences and social norms. In some cases, the reasons why pay secrecy is implemented do not necessarily relate to organisations' goals. Some businesses adopt a decision-making style driven by heuristics and value systems.

From the perspective of many participants, the low end of the pay secrecy continuum – pay transparency – creates new risks for organisations. Even in those cases where the potential benefits accruing from more open pay communication are acknowledged, participants broadly agree that the risks posed by open communication are too great. Organisations thus find themselves inclined to maintain the status quo.

Finally, a key finding is that organisations put forward multiple rationales for pay secrecy, which suggests they support and encourage it. The research indicates that the majority of organisations do not partake in meaningful pay disclosure with employees. However, it is not certain whether all organisations intentionally pursued the outcomes that participants identified in the interviews or if participants subsequently recognised them as benefits on reflection. But overall, the interview data strongly suggests that participants view pay secrecy as important in achieving a broad range of positive outcomes.

Supplementary Themes

Analysis of the interview data revealed supplementary themes relating to pay secrecy signalling choices and the factors influencing these choices. A summary of these supplementary themes is presented in Appendix F.

Researcher's Reflections on the Interviews

All interviews progressed smoothly without major issues. However, it was interesting to observe the different participant styles and behaviour during the interviews. To reduce anxiety and possible tension, most interviews began with casual conversation about subjects unrelated to the research topic. Once the audio recording commenced and the researcher began structured questioning, participants were initially formal in their demeanour and speech. Then, as interviews progressed, participants visibly relaxed, perhaps as their own interest in exploring the topic grew and they became less self-conscious about being recorded. This shift usually coincided with participants sharing more examples and providing deeper insights.

The most striking observation was the tendency of quite a few participants to become more candid once the audio recorder had been turned off and the interview had formally drawn to a close. As participants debriefed with the researcher, they appeared to review the content of the interview and draw final conclusions about their perspectives on the topic. The researcher observed that as they disclosed more information, the mood and atmosphere felt almost confessional.

Chapter Summary

This chapter presented the findings of the qualitative data collection and analysis from Study One. It examined organisational pay secrecy and the factors that influence to what extent organisations share pay information with employees. In summary, this chapter reported and analysed the observations and perspectives from 40 managers and HR practitioners to produce an overview of why and how organisations practice pay secrecy. Findings were discussed in eight parts that corresponded with the key themes surfacing from the data.

Overall, the findings indicate that the level and nature of pay secrecy present in organisations is determined by managerial expectations about positive and negative employee responses to pay information. The findings also suggest that a number of environmental conditions influence high levels of pay secrecy. However, the role that environmental conditions play in the development of pay transparency (that is, no pay secrecy) was not captured in the interview data.

The research demonstrates that organisations cultivate pay secrecy in the workplace by using a variety of measures to communicate and reinforce managerial preferences for pay secrecy. It was assumed by participants that employees would be encouraged to be secretive about pay when they had knowledge of, and considered, their managers' behavioural expectations. These expectations were communicated to employees through pay secrecy signals in the form of rules, managerial behaviours, culture and norms, administrative practices, and pay disclosure attributes.

In the next chapter, the findings from the second qualitative study will be presented. Adopting a case study approach, this second research project provides the opportunity to compare in-depth managerial perceptions and experiences in two Australian organisations with contrasting pay secrecy and pay transparency policies.

CHAPTER V

STUDY TWO FINDINGS

Introduction

In the previous chapter, Study One concluded that many supporting rationales for pay secrecy are based on assumptions about how employees react to pay transparency. This creates a need to investigate practices and outcomes in organisations that currently, or have previously, implemented no pay secrecy (referred to as pay transparency). This second study examines, in detail, differences between Australian, private-sector organisations that practice pay secrecy and pay transparency.

In this chapter, two case studies – Secret Co and Open Co – are presented. These two cases were selected as examples of organisations with contrasting conditions of "full pay secrecy" (referred to as pay secrecy) and "no pay secrecy" (referred to as pay transparency). Together, these case organisations represent opposite ends of the pay secrecy continuum and build on the research presented in Study One.

In adopting a qualitative methodology, this research, like Study One, investigates pay secrecy within its real-life context. The research presented here is based on interviews, observations and site visits conducted over a six-month period in 2018 with executives, HR practitioners and managers in both case study organisations.

The following discussion summarises the findings of this study. Direct quotes from interview participants are provided to highlight links between data, provide evidence of findings and illustrate how participants experience and understand pay secrecy in their organisations.

The presentation of the two case studies makes possible a cross-case analysis that compares and contrasts the pay secrecy and pay transparency experiences of organisation members at each case study. Together, the case study presentations and cross-case analysis are combined with the findings from the previous interview-based study to inform the conclusions and conceptual framework presented in the final chapter.

The relationship between Study One and Study Two

Study One revealed numerous rationales for pay secrecy policies as described by participants from Australian, privately owned organisations. It provided insight into which of the rationales favoured in the scholarly literature were considered by participants to be important in organisations in which they worked, and the ways in which they understood pay secrecy to have been implemented. Many of the explanations provided by participants focused on the intended outcomes or goals of pay secrecy however, the interview methodology, providing a one-time, one-person perspective, did not allow for the exploration of multiple perspectives within a whole organisation, nor changes over time. Gaps therefore remained in the research about the processes by which the organisational environment can facilitate decisions to implement pay secrecy and its counterpart, pay transparency. In this second study, case study data supports some of the reasons for pay secrecy that were reported in Study One. However, Study Two also provides empirical evidence of organisational setting factors that contribute to pay secrecy and pay transparency. Additionally, Study Two provides further empirical evidence of the methods by which organisations implement pay secrecy while importantly, providing new information about the ways in which organisations implement pay transparency – of which far less is currently known.

Presentation of the case study findings

In this chapter, each case study begins with an overview of the case setting. Information about organisational size, products and services sold, industry and organisational structure is presented. This is followed by a description of the condition of pay secrecy or pay transparency present in each case study.

Next, findings for each case study are separately reported in two sections. The first presents findings relating to why organisations in the case study implement pay secrecy or transparency. A number of organisation-centric factors are identified that are labelled under the following themes: (1) organisational scale, complexity and structure; (2) organisational culture; (3) leadership values; and (4) business administrative and communication practices. Additionally, the research presents several "intended outcomes" or rationales that also form the basis for organisational pay secrecy decisions.

In the second section, findings about how organisations implement pay secrecy or pay transparency are presented. Under this heading, key themes are identified that relate to: (1) rules; (2) pay disclosure practices; (3) employee participation; and (4) managerial behaviours.

The case study presentations are followed by a cross-case analysis that directly compares patterns across the two cases. The presence and absence of the findings reported under each of the previous themes is considered and the outcomes from both cases are summarised in Tables 5.2–5.4.

Selection of Case Study Organisations

Comparing the two organisations, a number of similarities emerge. Both organisations are Australian-based and privately owned by company founders who remain employed in the businesses. Each organisation also hires professional, white collar employees who undertake technical work. They both employ dedicated HR practitioners and both organisations are headquartered in a major Australian city.

Differences between the two organisations are also observed that relate to structure, size and market territory. One organisation is characterised by a comparatively flat structure with few management layers, while the other resembles a traditional, hierarchical operation. Possible variance in revenue between the two organisations is unknown but there is a considerable difference in the size of their workforces (approximately 280 employees compared to 55 employees). Market territory is another mark of difference. One organisation operates globally; the other is nationally-based. Table 5.1 below summarises some key characteristics of the two organisations under study.

Table 5.1: Profile of Case Study Organisations

Features	**Open Co**	**Secret Co**
Year founded	2007	1993
Headquarters	Australia	Australia
Legal structure	Privately owned	Privately owned
Organisational structure	Flat with few levels of management Project team based	Hierarchical Skill based
Products/services	Software development consultancy and technology start-up investor	Dental practice
Industry	Technology services	Health services

Features	Open Co	Secret Co
Market size	International	Regional
Market type	Commercial	Retail
Employees	55	280+
Annual revenue	Undisclosed	$20–40 million
Pay secrecy policy	Pay transparency	Pay secrecy

The defining point of difference between the two organisations is their pay secrecy and pay transparency strategies. The literature review introduced the idea that organisations practice pay secrecy along a continuum anchored by complete secrecy at one end and complete transparency at the other (Burroughs, 1982b). The two organisations selected in this study represent those extreme ends of the spectrum. Open Co implements pay transparency by making pay outcome information available to all its employees. Secret Co implements pay secrecy by withholding pay outcome information from employees.

Findings: Case Study Organisation 1 (Open Co)

Case Description

Open Co (a pseudonym) is a technology company. The organisation has been operating for more than 11 years and employs 55 workers. Open Co principally provides software development services but also invests in various technology-based start-ups. The company is headed by a chief executive officer (CEO) and general manager. It remains privately owned by its company founders, one of whom continues to work in the business. Open Co is headquartered in Melbourne, Australia but operates across a number of global regions. Its operations are divided into delivery and support teams and it is characterised by a comparatively flat organisational structure, with few management layers. Open Co's workforce comprises educated employees engaged in technical work, such as software engineering and web-based product development. Open Co introduced its pay transparency policy shortly after forming.

Pay determination at Open Co is based on a highly structured and prescriptive pay matrix model referred to as "the spreadsheet". This model has undergone several iterations over the years and the leadership team regard it as a "work in progress". At present, this pay matrix model comprises an ordered, ranked list of 30 competency levels, each tied to job responsibilities, skill requirements and fixed salaries.

Every position at Open Co (ranging from the company's entry-level administrator to the CEO) is allocated to a competency level in the model. These levels establish relativity between roles by identifying and ranking every role in the organisation. Each level is defined by a series of descriptive statements detailing basic role requirements and performance and capability standards. Salaries paid at each level are determined by market pay rates, which are a function of supply and demand in employment markets. All employees classified under the same competency level are paid the same amount, regardless of tenure, education or experience.

The pay matrix model is a key performance management tool, aligning pay directly to employees' competence and output. The model is also a feedback tool that informs employees of performance expectations and sets out a career development path. According to organisation members, the pay review process and accompanying pay matrix model demonstrate objectivity and rigour in pay decision making. There is a shared belief that if the pay process is fair, employees are more likely to accept pay decisions.

An additional incentive pay plan ties individual performance to organisational outcomes. The company-wide bonus scheme, based on organisational profitability, gives employees the opportunity to earn bonuses above their base salary. Employees receive the same bonus irrespective of their seniority or role in the organisation. In the CEO's words: *"Everyone gets the same. It's not linked to your level or your salary."* Additionally, all employees in the organisation receive a fixed amount of funding for training and specified work-related expenses.

Responsibility for Open Co's pay transparency policy lies with the leadership team. Besides the HR practitioner, the organisation does not have a dedicated Human Resources (HR) team and responsibility for most HR policies and processes sits with senior management. Possibly, limited resources and a smaller workforce result in informal responses to many HR issues by management. Compared to its pay matrix model, other HR practices at Open Co are less structured and documented. This adds flexibility to the way HR is administered but also results in less consistency and the use of developing HR processes and practices.

Pay Transparency

Open Co practices pay transparency in its workplace, as illustrated by this quote from a HR practitioner:

> *"Well, it's transparent, so everybody knows what everybody else gets paid and that's held in an Open Co accessible Google sheet. So, anybody can look at that any time."*

Although Open Co practices internal transparency, it does not disclose pay decisions to external stakeholders. Its management team believe that external pay transparency would adversely impact the company's labour market competitiveness. As the CEO explained:

> *"Obviously for us it would be dangerous, because that becomes a weapon or a tool that could be used to put people off: knowing fair well they're offering them more money, so it's something I'd be pretty reluctant to do on that basis."*

Why do organisations implement pay secrecy?

The interview and observational data uncovered several determinants of pay transparency at Open Co. These can be organised into four organisation-centric themes: (1) organisational scale, complexity and structure; (2) organisational culture; (3) leadership values; and (4) business administrative and communication practices. Plus, an additional theme, "intended outcomes", which describes the rationales and objectives of organisational members making pay transparency decisions. The following discussion provides a summary of these factors as they are observed at Open Co.

Organisation-centric Explanations for Pay Transparency

Organisational Scale, Complexity and Structure. Organisational setting is shown to influence the implementation of pay transparency through its structure, scale and complexity. Open Co has a generally flat organisational structure with few levels of management and minimal bureaucracy. It is observed that this structure informs the way the organisation operates. Open Co is characterised by high degrees of collaboration across functional areas with little emphasis on job titles or position seniority. As the HR manager commented, *"No one's business card has got their title on it"*. The general manager describes the company's structure this way:

> *"There is essentially no formal position for anyone. So, we just consider them all delivery staff. There's like some overhead staff, like myself, who sometimes still do delivery but essentially overhead staff and everyone else is delivery staff. There's no specific role or hierarchy there."*

Working arrangements are also flexible, responding to employees' preferences and changing business needs. Open Co's employees utilise web-based technology to facilitate offsite working opportunities, although employees also work onsite. Its physical structure consists of an open-plan office space with "break-away" meeting rooms. Here, employees have direct access to senior managers – such as the founder, CEO and general manager – who work beside technical staff. This arrangement encourages informal communication between employees and organisational leaders, which the founder believes is critical to the organisation's success in implementing pay transparency. The founder also attributes pay transparency to Open Co's scale. With 55 employees, Open Co is a relatively small organisation. According to the founder, pay transparency is best suited to small and mid-sized organisations where fewer people are involved in communicating pay information and the risk of confusion or misunderstanding is lower. As organisations grow, leaders have less direct influence and control as responsibility for pay communication is delegated to others. The founder made the following comment:

> *"We don't have any ambitions to be a company with thousands of staff, but we might approach a hundred, and I think it [pay transparency] could scale to that without any problem. Beyond that, I'm not sure. You start to lose those strong connections with each person."*

The introduction of pay transparency during the company's infancy is also emphasised by the founder. As the founder recounted, Open Co had seven employees and operated a simple consulting business model with less complexity than today. In his words:

> *"One of the advantages for us is that we were transparent from day one. I think it would be much harder to do it midstream, than to start that way."*

Overall, this setting has many positive impacts on pay transparency. It was agreed by participants that Open Co's flat structure, small scale and low complexity facilitate information sharing and participation that contribute to its implementation of pay transparency.

Organisational Culture. Organisational culture is a second factor contributing to pay transparency at Open Co. For management at Open Co, "culture" embodies the organisation's *"group behaviour"* and *"values proposition"*. Open Co's culture is described as *"open", "collaborative", "community minded"* and *"team orientated"*. Under this culture, open communication is encouraged and employees question policies and practices. This culture fosters collective decision making and open debate – in which seniority is not important. This creates a somewhat informal culture. There is also evidence of a strong sense of community within the organisation. Regular scheduling of social events encourages collegiate relationships and builds social networks among employees and managers. This assists in building trust within the organisation. According to the CEO, this culture influences the level of pay transparency present at Open Co. He said:

> *"You need a high trust, high vulnerability environment for feedback to be really effective, otherwise it's just seen as a way to weaponise and manage performance of difficult people."*

The general manager also emphasised the importance of culture by sharing the following perspective:

> *"It has to stem from a cultural embracing of transparency and the values that it brings."*

Organisational Transparency. Open Co is characterised by high degrees of internal transparency. This is driven by the company's leadership team and is deeply embedded in organisational practices, behaviours and policies. The company's HR practitioner expresses it this way: *"Transparency is reflected through all levels of the business."* This includes observable information sharing and openness between management and employees about strategic or competitive information. Management, for example, fully discloses financial performance data to employees. As the CEO explained:

> *"Everybody at Open Co has access to all our finances, to our budget, to our accounting system, Xero, to our revenue systems, to our tracking systems."*

Occasionally, financial disclosures include negative news relating to earnings or trading conditions. This level of transparency is reported to sometimes create challenges. However, in the CEO's words, *"you can't protect people"*. For the company's founder, the organisation's success is tied to its transparency; it helps employees see the 'bigger picture' and creates a shared understanding of the business, its goals and challenges.

There are also high levels of observable transparency in relation to HR policies and practices, which employees can access on an internal website, Wiki, as explained by the HR practitioner:

> *"Well, the thing about the Wiki is that everyone has access to it, and so everyone can add to it."*
>
> *"Wiki ... has all the information on it. So, you've got everything from recruitment to strategy, to.... values, purpose, vision and mission."*

Leadership Values. The interview data suggests that leadership values drive pay transparency at Open Co. There is evidence that organisational leaders use pay transparency to demonstrate and articulate their vision of organisational trust, fairness and transparency. These leadership values were particularly influential during the early design phase of the organisation's pay transparency strategy. The founder described how transparency was a key principle valued by himself and his co-founder. In his words, the decision to implement pay transparency was driven by his co-founder's *"overwhelming personal sense of wanting social fairness."* This was attributed to the co-founder's previous negative experiences in secretive organisations and being disadvantaged by pay discrimination earlier in his career. The founder went on to say:

> *"John [pseudonym for co-founder] was very clear that he wanted a values-driven organisation, but we talked about it a bit as a social experiment. So, we knew that we wanted to be strong on*

values, and that there was a sense of kind of fairness and strong effects that ran through them."

The founder also made the comment:

"So, this [pay transparency] all really started with a principle of a value of transparency and fairness."

In sum, Open Co's pay transparency strategy is driven by its leaders; it is representative of their personal values and marks a deliberate decision to break with conventional pay secrecy practices. However, the values felt and expressed by leaders are also shown to contribute to the acceptance of pay transparency by employees because they *"set the tone"* for workplace behaviours. This in turn, contributes to continuing support for the founders' value-based aspirations.

Business Administration and Communication Practices.

Organisational Communication. Communication practices at Open Co support pay transparency. The organisation is characterised by open communication flows between leaders and employees. High levels of communication across teams and departments are facilitated by instant communication tools, including messaging platforms like Slack, that provide fast information sharing for teams working across multiple locations. For those employees working at the head office, close physical proximity, combined with high levels of work transparency, also facilitate information sharing by breaking down barriers between project teams.

As observed, this setting encourages high volumes of communication throughout the organisation that lead to more transparency generally. Opportunities for open, two-way communication are observed to motivate people to embrace the organisation's transparent culture. This is reflected in the way employees share information, work with, and support one another. In one observed example, managers and project teams regularly updated other employees about their progress. In turn, this encouraged others to share information about their own work commitments. This two-way communication facilitated more openness, especially with regards to people's workloads. A consequence being a working environment in which employees volunteered to assist others when needed.

Business Practices. Pay transparency is observable in other HR policies and practices. Among these, it is shown to influence, and be influenced by, the organisation's recruitment and onboarding processes. Hiring processes, such as a separate, cultural fit interview, elicit candidates' views about transparency and assess their general willingness to expose their eventual pay to colleagues. As a result, the organisation attracts employees who feel comfortable with pay transparency, which sustains its level of acceptance in the organisation.

Examples were also found when the given level of pay transparency both contributes to and influences onboarding programs. Orientation processes for example, are used to educate new employees about the pay transparency policy. However, they also guide how they will eventually treat pay information, contributing to future pay transparency behaviours at Open Co. Organisational leaders consider early exposure to the company's policy to be important for helping people grow accustomed to its pay transparency environment. As the company founder explained:

> *"A nice thing for us in terms of culture is that tone for transparency is set right up the front. I'll drill down into this a bit later on, but*

people arrive at Open Co and immediately see that model. It's immediately transparent to them, the salaries that they will earn, and that other people earn, is immediately transparent, and they know from day one that we live and die by that value of transparency."

The CEO agreed with the company founder's perspective when he said:

"The nice thing is, they [job candidates] immediately see the model and the salaries associated with the levels on that model. That's a really unusual scenario when you're in an interview process for a company. And, again, that sets the tone for coming and joining Open Co. People realise that we really do have transparency."

Intended Outcomes of Pay Transparency

The previous section highlighted the role of organisation-centred factors in the development of pay transparency at Open Co. However, the decision to implement pay transparency is also motivated by a number of intended outcomes. To begin, pay transparency is one means by which Open Co builds trust with employees. According to participants, pay transparency creates the perfect setting to develop workplace trust, because it emphasises mutual respect and information sharing between management and employees. By sharing this information, organisational leaders reason that employees are less likely to doubt the fairness and rigour by which leaders make decisions.

Closely related is the intended goal of improving the credibility or defensibility of pay decisions. Organisational leaders adopt pay transparency because they believe that when pay is secret, employees' concerns about consistency of treatment – such as being paid fairly – are inevitably raised. Pay secrecy is perceived to create more discretion in pay decisions and a corresponding lack of perceived accountability. Although internal rules and guidelines might mitigate against this, they are usually insufficient to ameliorate employees' concerns. There is a view that the resulting questions or doubts that pay secrecy might produce could create the same negative attitudes and behaviours from employees (such as pay dissatisfaction) that pay secrecy is intended to avoid.

Participants at Open Co also believe that pay secrecy rules are unlikely to contribute to positive behaviours by employees. According to participants, confidence in pay secrecy rules is often misplaced. The availability of online wage data undermines the capacity for organisational rules and policies to effectively limit employees' pay knowledge. Participants argue instead that pay secrecy may actually be worse, as online information can potentially create unrealistic expectations. Providing organisation-relevant pay information, on the other hand, allows Open Co to supply employees with accurate and pertinent pay information, paving the way for employees to develop realistic pay expectations.

A third objective is to encourage positive employee attitudes and behaviour. It is widely agreed among organisation members that pay transparency facilitates information sharing and participation. This environment helps managers to detect signs of pay dissatisfaction, monitor performance and gauge employee engagement.

Participants also perceive that employees are more invested when they feel involved in pay decisions. Likewise, the appeal of being included in the pay review process is to create a pay setting model that is relevant to employees. This participative approach produces a model that benefits all participants – including both employees and managers –

as well as the organisation itself. If Open Co provides a meaningful experience, employees will feel committed and fewer talented people will leave. In this sense, pay transparency at Open Co is founded on a firm belief that the organisation can attract and retain talented employees (who are also a good cultural fit) by offering a more collaborative and meaningful work environment than secretive, traditional firms.

For similar reasons, Open Co's management believes that increasing employees' knowledge improves individual performance and, in turn, organisational performance. When employees have more information regarding their pay (particularly relative to that of co-workers) they make better choices about their individual work effort and output. On the one hand, employees may lift their effort with the goal of achieving the higher pay awarded to other roles. On the other hand, employees may make informed decisions to leave the organisation – making way for new employees. In each scenario, Open Co recognises opportunities to lift workplace productivity and, in turn, organisational performance.

Case study participants also believe that, paradoxically, being fully transparent about pay makes pay less important to employees which leads to fewer cases of pay-related dissatisfaction or conflict. Managers also believe that it reduces the propensity for employees to make spontaneous pay demands. This de-emphasising of pay is also partly attributed to the organisation's pay model that accompanies its transparency approach. Its rigid pay structure removes the need for employees to negotiate pay, which participants believe can be a source of contention, animosity and unnecessary distraction in other organisations.

Finally, Open Co's pay transparency policy is motivated by a desire to develop a cooperative and collaborative corporate culture that can serve the interests of both employees and the organisation. By embracing open communication, Open Co's policy is intended to build inclusive and meaningful relationships among organisational stakeholders. Organisational members reject the commonly-held idea that pay information causes conflict. They believe that transparency removes uncertainty that leads to unhealthy speculation and rumours. Further, there is a perception that pay transparency does not politicise pay decisions or cause divisions between employees that might otherwise contribute to workplace conflict. However, study participants acknowledge that Open Co's pay communication processes provide timely and accurate pay information to employees. According to participants, this communication infrastructure minimises workplace conflict and negative employee behaviours because it allows managers to collate information and address shared concerns with employees as they arise.

How do organisations implement pay secrecy?

The methods by which Open Co implements pay transparency can be grouped into four main themes: (1) rules; (2) pay disclosure practices; (2) employee participation; and (4) managerial behaviours.

Rules

Management at Open Co do not prohibit employees from sharing their pay information with each other. This is consistent with the organisation's policy of being transparent with employees about pay processes, policies and outcomes. While organisations often include confidentiality clauses in employment contracts, Open Co does not contractually compel new employees to keep their pay information secret. However, nor does the organisation formally obtain consent from employees to disclose their pay information to others. In regard to pay disclosure, Open Co's employment contracts are silent: it is not made clear what pay information will be shared, with whom or how. Based on the field observations, there is also no evidence to indicate that employees have the right to formally change or withdraw their consent to share their pay information.

Pay Disclosure Practices

Pay disclosure at Open Co takes two forms: disclosure about pay processes (including policies and procedures) and pay outcome disclosure (peer pay). Pay disclosures are communicated through the recruitment process, induction programs, training, meetings, emails and internal publications. Pay disclosure (of both forms) is also a by-product of high levels of employee engagement during the design and delivery of pay processes and policies. This contributes to the creation of a workplace environment that encourages employees to raise pay concerns and demonstrate personal pay transparency.

Pay Disclosure Forms. Organisational pay disclosures to employees are triggered at hiring. The HR practitioner explained it this way:

> *"They [the candidates] are presented with the package, and it's got the base salary, it's got information about the profit share, and then it's got information about their allocation in terms of learning and development, and career progression."*

For existing employees, Open Co makes its pay determination model available to employees at all times on its intranet. This jointly provides information about pay processes and pay outcomes.

The organisation also provides detailed information about its incentive pay plan to employees. Information about how profit-based bonuses are calculated is openly shared and employees can access the company's financial records. This allows them to monitor organisational performance and calculate bonuses. The HR practitioner summed up the situation with the following two comments:

> *"I think the two are so closely married, that you can't have one without the other. Unless people know where they're at performance wise, you can't really have pay transparency."*
>
> *"Everyone knows about utilisation, where it's at, and how it affects the bottom line, and how it's going to affect at the end of the day their profit share."*

Employee Participation

Pay transparency at Open Co is also implemented through the organisation's participative decision-making model, which encourages employees to become involved in pay processes and programs. Consultation with employees is triggered at various stages in the organisation's annual pay review program when employees are asked to review and provide feedback in relation to pay outcomes for themselves and their peers. This process brings together organisational stakeholders from all levels and functions of the organisation. Reportedly, the time needed to compile and review the feedback often takes weeks. This contributes to a temporary spike in workloads and diverts resources away from other HR and managerial tasks.

However, Open Co's participative approach goes beyond registering and responding to employees' pay concerns and feedback. Critically, employees are able to inform and influence Open Co's pay planning process based on the information they provide to managers. Employees also have the opportunity to provide information to managers about the performance and output of co-workers. This also informs pay decisions, which are evidence-based and take into account the perspectives of both managers and peers.

Outside the annual pay review period, Open Co provides additional opportunities for employees to actively participate in pay policy and process design. When the review period closes, managers and employees from different parts of the organisation form a voluntary review committee to evaluate the program and identify opportunities for making improvements. To garner further employee "buy-in", findings and recommendations from this group are shared with all employees to solicit additional insights. Together, these practices help educate employees about pay policies, practices and decision-making. They also build support for and encourage employees to act in accordance with Open Co's policy of pay transparency. According to the general manager, "there's an overabundance of feedback" from employees, suggesting high acceptance and voluntary participation among staff.

In Open Co, the participation of employees in the delivery of pay communication helps the organisation to disseminate pay information that contributes to joint understanding and acceptance of pay decisions, according to case study participants. High levels of employee participation are also regarded as important in building cooperative relationships between managers and employees. Working in collaboration with employees, management is seen to *"cooperate"* and *"engage"* with employees in important decisions impacting them.

Managerial Behaviours

Open Co's managers recognise the important role they play in establishing pay sharing behaviours. At the most senior level, the CEO expressed the belief that it was important to be cognisant of the messages that he conveyed to employees, both intentionally and unintentionally – about pay transparency. To build support for pay transparency, organisational leaders self-disclose pay information to employees. This strategy reinforces positive behaviours that model the organisation's values of transparency and trustworthiness. In the CEO's words:

> *"My instinct is always to say "just make it public", so I've made my own public, I've said to them "these are mine" and about six months ago as well, just as an example, I ran a 360 feedback on myself and I made that accessible to everybody in the company. So I said but I was encouraging people to do that – "Well I've done it, here's mine. This is what everybody said about me good and bad." So, I was trying to kind of set the bar again on transparency going well."*

At Open Co, organisation members acknowledge that the pay sharing actions and behaviours that managers demonstrate signal expectations not only about how employees should treat pay information but also about how they should feel about pay transparency. Examples were found of managers encouraging employees to openly discuss pay. There was also broad managerial acceptance that employees could challenge or seek explanations for pay decisions. The CEO recalled instances of employees successfully lobbying management to increase the pay of their colleagues.

In other examples, managerial decisions about related HR practices reinforce pay transparency expectations to employees. This includes employer branding and attraction strategies that teach people about the organisation's values, norms and expected workplace behaviours, including its strong culture of pay transparency. During the field study, the CEO took part in various public relations activities and media interviews to promote the organisation's pay transparency policy. It is observed that these tactics serve two purposes. First, they create a unique organisational brand that differentiates Open Co from its competitors and attracts candidates matching the organisation's value proposition of transparency. And, second, they signal the importance of pay transparency to existing employees. This reinforces others organisational signals that encourage employees to accept pay transparency.

Findings: Case Study Organisation 2 (Secret Co)

Case Description

Secret Co (a pseudonym) is based in Australia. Founded in 1993, the privately-owned company provides general, cosmetic and orthodontic dentistry services. It generates revenue exceeding $20 million annually and employs over 280 staff, including dentists, surgeons, dental hygienists and support staff. The organisation operates several clinics, although most of its business is based at a central practice. The management team is led by the company's CEO, who is also its founder and owner.

Pay determination at Secret Co is based on a compensation model that rewards organisational seniority and performance. Under this system, roles are organised into a series of pay grades based on the company's hierarchical structure. Within each pay grade, individual pay is determined by several factors, including experience, qualifications, supervisory responsibilities and hours worked. The company also uses work analysis and job design to set pay for each role. In addition, the organisation operates a performance-based pay scheme. This scheme rewards high performers, usually in the form of bonuses or higher annual pay rises. Pay increases are linked to individual performance and managers have discretion to award subordinates pay rises within an approved budget and subject to approved pay grades. As a result, employees doing identical or similar work can be paid differently based on their relative performance. According to the HR manager, pay systems and processes at Secret Co are designed for stability. In her words: *"it's exceptionally structured and predictable"*.

Pay Secrecy

Secret Co implements a policy of pay secrecy. Management does not disclose pay outcome information to employees and prohibits employees from disclosing pay information to each other. In the practice manager's words: "We're never transparent about what people are taking home." However, previously Secret Co operated a policy of pay transparency. A shift to secrecy occurred over several years as the company grew and HR processes and policies were formalised. Case study participants report that the organisation has now practiced pay secrecy for more than ten years.

Why Do Organisations Implement Pay Secrecy?

Organisation-centric Explanations for Pay Secrecy

Organisational Scale, Complexity and Structure. According to the CEO, the organisational structure is associated with the company's pay secrecy practices. In his words, *"it [pay secrecy] is related in part to bureaucracy. The organisation is more complex these days."* Secret Co is characterised by a hierarchical and well-defined organisational structure that establishes a clear chain of command. Most employees work in small teams in private exam rooms and surgery suites. Senior managers, HR practitioners and finance staff work in another, separate office space. This structure creates physical distance between employees and also between employees and management.

Secret Co's organisational structure is characterised by a stable, tightly structured bureaucracy. Employees are divided into functional units (e.g., administration, dental services delivery, etc.) based on skills and work performed. This structure is supported by the centralised management team, which oversees operations and makes all strategic and tactical decisions. This management team sets the direction of the organisation, leading to the creation of business strategies, systems, and processes.

The company's centralised, hierarchical model allows it to deliver consistent medical services and reduce risks of medical complications or errors. The delivery of medical services requires high degrees of work specialisation. Employees have clearly defined jobs and work is highly compartmentalised with limited overlap in responsibility between roles. New medical technology leads to improvements in the provision of health services but the general business practices of Secret Co have not undergone much change over time. This has contributed to a well-established, consistent organisational structure, which, according to the CEO, is typical of other businesses in the health sector.

Leadership's Role in Operations Management. The leadership and management structures have shifted over time. Previously, the company's CEO (and founder) was heavily involved in operations management but now focuses more on strategic activities. To facilitate this gradual transition, an operations manager was appointed and the organisation's support team expanded to include a small HR team. The appointment of HR practitioners and more business support staff resulted in the introduction of formal HR policies and practices, which impact the organisation's approach to pay communication. These changes coincided with a progressive shift towards pay secrecy. The CEO expressed it this way:

> *"I'm involved, but managing the conversations with employees, the payroll and everything that goes with that – that's handled by the team. It wasn't sustainable – being involved in every detail."*

Organisational Culture. Secret Co's culture is characterised by business practices and behaviours that emphasise hierarchy and centralised authority. This approach stresses top-down communication and time-based management of employees. The corporate culture also embodies the traits of risk-adverse decision making and a numbers-orientated focus. Greater importance is placed on employees' performance than behaviour. Patient-facing employees (as well many administrative staff) adhere to uniform and dress codes. Decision-making happens at senior levels of the organisation (usually by the CEO) and tends to exclude employees. As a consequence, employees are not involved in developing business processes, policies or corporate strategies that define the purpose or direction of the organisation. The pay secrecy policy, then, appears to complement the organisation's generally opaque management practices and closed decision making.

Secret Co's culture is also highly rule-driven. Its delivery of health services necessitates the adoption of standardised work procedures, processes and rules. Limited variation in work practices between departments leads to high degrees of company-wide consistency and slow change in policies and processes. Multi-departmental communication is generally low. Teamwork within delivery units is important, but cross-functional collaboration is often unnecessary, leading to a culture of sub-communities. By way of example, the HR manager explained it this way:

> *"There's very strong cliques in this place. And I say cliques, because it's different departments."*

Organisational Secrecy. Confidentiality is an evident feature of Secret Co's culture and is reflected in its high levels of internal secrecy. Often, information is siloed, according to functional lines and seniority in the organisation. Proprietary information is centrally controlled and the sharing of sensitive or strategic company information is discouraged. For example, management does not disclose financial performance data to employees. This reflects a focus on protecting proprietary information that is related to the organisation's competitiveness. The qualitative data indicates that this observable operational secrecy is associated with Secret Co's pay secrecy approach. In the operation manager's words:

> *"I mean, the approach about not talking about pay is pretty consistent with the way the practice is ran. If we were more open about other things, we'd probably be more open about pay too."*

Leadership Values. The observable values held by senior managers, and particularly by the CEO, have contributed to pay secrecy at Secret Co. Based on the field data, values exhibited by organisational leaders include: respect for authority, paternalism, control, risk minimisation and loyalty. These values are shown to shape their behaviour and policy decisions which, in turn, influence how employees behave. Leadership values also set expectations for managers who then impress these values upon employees. The CEO's leadership style could be described as authoritative and is characterised by "command and control" management methods. In many cases, this approach has included heavy involvement in operational decisions. According to the HR manager, the CEO *"still sat in on their [employees'] pay reviews"* until recently.

Leadership values are also characterised by a general belief in the importance of respecting authority. This belief filters into the way the organisation is managed: senior managers set the company's direction and communicate organisational priorities down to employees to execute. Management exhibits a low tolerance for employees who challenge this approach. Loyalty is also highly valued. As the CEO commented:

> *"Trust, loyalty. They are fundamental to what we do and how this business works. ... You can't possibly build a quality business without loyalty through its fabric."*

Based on the CEO's interview comments, changes to his operating environment, particularly legislative changes, were a catalyst for the CEO developing a less transparent and more risk-averse approach to business. The shift toward risk management appears to have led to a reduction in the organisation's openness generally and the adoption of more conservative practices like pay secrecy. In the CEO's words:

"There is so much red tape now, so much concern about privacy. It's not possible to have transparency anymore. It's too much of a risk."

Comments expressed by the CEO suggest that employees are perceived as a source of potential risk for the organisation. This perspective is further illustrated by management's tight control of information, decision making and the creation of a well-defined working environment where rules and discipline are heavily emphasised. In the operations manager's words:

"Process control is a big part of the way we work. It comes out in other parts of the business. You can't create a culture that delivers precision if the rest of the company is unfocused, if it's lacking discipline. It's not so easy to turn that mindset on and off."

Business Administration and Communication Practices.

Organisational Communication. Communication between managers and employees is coordinated centrally and most knowledge transfer happens from the top down and through formal channels. Changes in HR policy for example, are formally communicated by email from managers to subordinates. These internal announcements are prepared by the HR team and approved by senior management beforehand. The result being consistent, systematic internal communication.

Information that is considered relevant to employees (such as new company policy) is "cascaded down" from managers to subordinates. Occasionally, the CEO convenes "town hall" meetings to make important announcements to Secret Co's workforce. However, official internal communication is generally low and tends to be on an “as needs” basis. Senior managers meet to discuss company-level matters but inter-functional meetings at lower levels in the organisation are uncommon. Possibly, shifting schedules between employees restrict information sharing between teams and functional areas. The operations manager made the following comment when asked how the organisation’s communication practices influence its pay secrecy policy:

> *“We’re consistent. We communicate salary information that’s relevant to each individual. What they need to know. Information that sits outside [that] is noise. That goes for other information too. If we think it’s useful, we share. Otherwise we avoid creating the distraction.”*

Intended Outcomes of Pay Secrecy

Pay secrecy at Secret Co is associated with managerial beliefs about how employees respond to pay outcome information. Case study participants expressed beliefs that the alternative to pay secrecy – pay transparency – would lead to negative attitudes and behaviours among employees. They expressed concerns that pay transparency could politicise pay decisions, creating unnecessary conflict, debate and reduced motivation. These unfavourable outcomes are borne from the belief that employees experience strong emotions about pay information. Organisational leaders also worry that pay information can be misconstrued: that employees lack the understanding and objectivity to interpret pay differences between themselves and others. Similarly, they suggest that it is difficult to maintain employees’ perceptions that performance-based pay is valid and fair in open pay systems. The common thread of these explanations is that pay secrecy is intended to help the organisation avoid costs caused by sharing pay information rather than to produce specific benefits for the organisation.

Pay secrecy is also perceived to protect the organisation from new sources of risk. Participants regard pay information as proprietary, and possibly sensitive information, that could expose the organisation to legal action or competitive threats from other firms in the labour market, as well as from past or present employees. Pay secrecy is also perceived to serve the organisation's interests by offering management a flexible and adaptable approach to pay decisions. Fears of losing talented employees and candidates to competing firms give rise to both the CEO and HR manager justifying pay secrecy on the grounds of competitive advantage.

Similarly, pay secrecy is intended to evade higher wage costs associated with pay transparency. There is a perceived risk that employees might demand higher pay at the expense of co-workers' pay and to the detriment of the organisation. Pay secrecy is regarded as an effective, low-cost safeguard against this risk.

While there is tension around protecting the organisation from these risks, the practice of withholding and classifying pay information as confidential is also acknowledged to be somewhat reflexive. Managers and HR practitioners at Secret Co are accustomed to automatically protecting pay information. *"I've never considered pay not being confidential. Actually, I've never worked in a place that didn't keep people's pay confidential"*, one case participant acknowledged.

Finally, Secret Co's management feel a sense of duty to respect the privacy of employees. It is unclear from the interview data how management formed the view that employees prefer privacy. Participants did not recount employees expressing pay secrecy preferences to them. However, implementing pay secrecy rules is perceived to help the organisation to protect employees' confidentiality and avoid pay disclosures that might cause potential discomfort or embarrassment to employees. According to the HR manager:

> *"Our policy is to share confidential information on a need-to-know basis. Employees have the right to their privacy. Most people don't want other people to see what they earn. It can be deeply embarrassing for some. We're protecting people's personal data and this essentially honours employees' personal boundaries in a way that transparency doesn't."*

Comments like the one above, and the implied assumption that pay secrecy protects employees from discomfort, are suggestive of a degree of paternalism in pay secrecy policy-making by Secret Co's management.

How Do Organisations Implement Pay Secrecy?

The methods by which Secret Co implements pay secrecy can be organised into the four themes used to present the findings at Open Co. These were: (1) rules; (2) pay disclosure practices; (2) employee participation; and (4) managerial behaviours.

Of note, pay secrecy methods identified at Secret Co are sometimes linked. For example, the way in which pay information disclosures are framed also has implications for the pay secrecy signals associated with managers' behaviour. In Secret Co, private written correspondence is favoured over pay conversations between managers and employees. This tends to reduce spontaneous opportunities for managers and employees to discuss pay, thereby reducing instances of employees observing managers discussing pay in the workplace.

Rules

Pay secrecy rules at Secret Co are formally recorded in, and enforced through, employment contracts, which include pay confidentiality clauses. When employees sign employment contracts, they acknowledge that they have read and understood these clauses, which can later be used as a basis for disciplinary action against employees. Punishment varies depending on the consequences of pay disclosures for the organisation and other employees. In the HR manager's words, the organisation's response *"just depends on who and how they've been impacted"*. When sufficiently serious, employees can be issued formal warnings or face other disciplinary action (although management has not previously taken this measure against employees).

Pay secrecy rules are also conveyed to employees through verbal and written instruction. The organisation adopts a pro-active and broad-based approach to minimising pay disclosures between employees. Pay secrecy rules are often incorporated into written pay communication with employees. Employees are also reminded of the organisation's pay secrecy rules during performance review periods. However, besides employment contracts, employees and new hires are not provided with induction or training materials that set out pay secrecy rules. Similarly, pay secrecy rules are not formally recorded in HR policy documents or other manuals prepared by the organisation.

Although pay secrecy rules prohibit employees from disclosing their pay to others, they do not prevent employees from discussing matters relating to pay processes, such as the organisation's performance pay scheme. In the HR manager's words:

> *"It's certainly not a taboo topic, because it actually doesn't mean anything to what their take home pay is."*

Pay Disclosure Practices

Pay Disclosure Policy. Pay secrecy rules are not guided by formal standards, although they appear to be widely understood in the organisation. Secret Co does not have a documented pay secrecy policy. But there is evidence of an unwritten policy that aims to limit peer-to-peer pay disclosures. The organisation, for example, never discloses pay outcome information to employees. This intentionally limits employees' knowledge of co-workers' pay and prevents employees from evaluating relative pay decisions.

Whilst management applies pay secrecy rules, the case study data suggests that there is limited strategic monitoring or review of the organisation's pay secrecy policy. Appropriate strategies and procedures are not established to ensure that the pay secrecy rules are applied and adhered to by employees in a systematic way. Management also does not track employees' compliance, instead choosing to respond to policy breaches as they occur.

Several participants from Secret Co acknowledge that trying to control employees can be difficult. As the practice manager remarked: *"rules against talking about pay help, but they don't completely stop the problem."* However, management's view is that guiding and coaching employees about pay secrecy leads to fewer pay disclosures between employees. The operations manager put it this way:

> *"You'll never completely eradicate it, but most people have a tendency to follow managements' lead at least some of the time. So, whilst it's not one hundred percent effective, it's always going to be better than not having it [the rule] in place."*

However, the lack of formal pay secrecy rules did blunt the effectiveness of Secret Co's pay secrecy policy approach. In Secret Co, organisational members acknowledge that it is probable that some employees disclose their pay details to others. However, although this information may be useful to employees seeking a pay increase, participants observe that employees rarely raise it. They suggest that employees' reluctance is a response to strong, unspoken pay secrecy norms cultivated by the organisation's unwritten pay secrecy policy.

Pay Disclosure Forms. Secret Co also does not have a formal pay communication strategy. There is no evidence that Secret Co exchanges pay information in a coordinated way through the use of regular emails, meetings or by releasing HR policy documents (such as HR manuals). The observed lack of coordination may reflect the limited pay communication undertaken by management but, as the practice manger remarked: *"I don't think we've put that much thought into it, about the transparency side of things."* Most pay communication happens during the organisation's performance pay review program. This rule-driven process sees HR practitioners prepare and send confidential letters to employees who receive performance-based changes of pay. This correspondence usually only reports pay changes – and does not explain in any detail how pay changes are linked to employees' individual contributions to the organisation. Otherwise, pay communication is usually only triggered by the appointment of new hires, promotions or job changes that impact individuals' pay.

There is a strong emphasis on downward pay communication (from managers to employees). Most pay information is communicated by senior managers and HR practitioners who oversee remuneration policies and payroll. Generally, they are demonstrably reluctant to initiate pay discussions with employees. However, some differences are observed in the volume and detail of pay information that managers disclose to different groups of employees. Senior medical staff tend to receive more pay-related communications than support staff. In particular, communication about process-related pay information (especially in relation to performance data and its relationship to pay levels) varies. This contributes to pay information gaps between employees. The HR manager explained it this way:

> *"I suppose the biggest divide in our business is who is a practitioner and who is a support staff member, and we have different protocols for how we treat them."*

On the whole, pay disclosures at Secret Co are a combination of generic information pushed out to all employees and single responses to information requests by individuals. In these disclosures, HR and management rely on conventional communication channels, such as email and written correspondence. Generally-speaking, organisational-wide and departmental pay disclosures aim to educate employees about the company's pay-for-performance scheme. These disclosures are infrequent and of a general nature.

Aside from these exceptions, the organisation provides minimal pay-related information to employees. Pay decisions are not explained or justified except when individuals raise concerns in respect to their own pay. These conversations are private. As the operations manager remarked: *"When we do have these discussions [about pay] it's in a confidential setting."*

In addition, managers schedule annual performance review meetings with employees. These provide the opportunity for employees to raise pay-related issues in a confidential setting. The HR manager explained:

> *"Outside of review time, it [pay] is generally not a topic that's raised. People become interested in knowing more of the details once they've received their increase or especially if they didn't get what they were hoping for."*

The organisation's HR team ensures that pay decisions are kept confidential. This concept of confidentiality is strongly reinforced in all procedures. The organisation does not share its remuneration strategy with employees. Yet, management at Secret Co is more willing to share details of policy and procedures. Specifically, HR discloses process-related information about the performance pay program to employees when requested and provides some guidance about how pay decisions are made. The HR manager described the company's disclosure approach this way:

> *"I kind of see it as we're quite open about how it all works and what applies to you, we just don't share the confidential information of another individual."*

The practice manager echoed these comments by saying:

> *"It's OK to talk about how we calculate the money and the structure that's behind that, but no one needs to know who's getting paid what."*

> *"We're transparent about what the benchmarks are that people are paid around, but we will never publish and say, you know, "So and so's taking home this amount of money."*

When asked why the company choose to disclose pay process information, the practice manager gave the following explanation:

> *"If we've got a structure in place and we tell them [the employees] then it puts people's minds at ease. They're less worried about being treated fairly."*

Whilst pay communication is generally not encouraged, there are some pathways for employees to raise concerns. The company's well-defined organisational hierarchy means that employees can raise issues or grievances with their immediate manager or the HR team. However, these conversations are limited to discussing an individual's concerns with his or her own pay. As the HR manager remarked:

> *"We've obviously not going to discuss other people's pay or any other matters not relating to the staff member's own salary."*

Management is mindful of the timing of pay disclosures and the choice of communication channels used to convey pay information to employees. Pay communication coincides with the annual performance and pay review processes, although there is no evidence suggesting that the organisation follows a particular communication plan in relation to its pay-related disclosures to individual employees. Again, most pay-related information is delivered by HR and direct managers in response to questions raised by individual employees. In general, pay disclosures are reactive rather than proactive. Managers tend only to respond to questions or complaints from employees rather than seeking feedback. Sometimes employees also negotiate directly with managers and HR to secure pay increases. Again, in these cases, pay communication and disclosure is reactionary. This makes most pay communication outside the annual pay review process ad hoc and unplanned.

During annual pay review programs, multiple measures to encourage pay secrecy are evidenced. In written correspondence, for example, Secret Co frequently states that pay decisions are confidential and urges employees to avoid disclosing details of pay increases to other employees. During performance review meetings, participants also report making few references to pay.

Secret Co's policy of secrecy is congruent with the organisation's general approach to sharing information with employees. The practice manager gave the following description:

> *"This is pretty much how things work here and probably in other practices too. There are always going to be some things that you don't tell employees. There's definitely room for improving how we communicate about salaries, but I don't know, at the same time, the business needs to stay competitive. Basically, we try not to talk about anything that's going to impact that in a negative way."*

Employee Participation

At Secret Co, pay administration is highly centralised and controlled by the HR team. Employees are not involved in the administration or execution of pay setting processes. Management does not seek feedback from employees about pay decisions or the application of the organisation's pay decision model. Communicating and debating individual pay decisions with employees is viewed by management and HR as having limited value. When asked if employees are involved in the design of the company's reward system, the HR manager responded: *"No, [the CEO] established how we reward staff. It has evolved over time but it's been a collaboration. It's been between HR and [the CEO]."*

Managerial Behaviours

Participants agreed that employees at Secret Co observe signals conveyed by management about organisational rules governing pay information sharing. Managers and HR practitioners at Secret Co maintain a pay secrecy culture by identifying, articulating and demonstrating pay secrecy values. This includes, among other things, keeping personal pay details private from subordinates, conducting pay discussions in private settings and not raising pay-related topics in team meetings. In modelling these behaviours, managers perceive that they help employees to connect and align their individual values and pay sharing inclinations to those required by Secret Co's leaders. This is perceived to encourage employees to behave in similar, secretive ways.

The way managers respond to pay disclosures by employees is also shown to be important. Case study participants perceived that acknowledgement by managers of particular pay sharing behaviours significantly influences the behaviour of employees. They suggest that recognising when employees breach the pay secrecy policy has a stronger effect on employee behaviour than simply modelling pay secrecy behaviours that are espoused by the organisation but are not acknowledged.

There is a high level of consistency between the values that the organisation's pay secrecy rules espouse and the actual behaviour of management. The practice manager made the following comment:

> *"We definitely don't go around talking about other people's pay in an indiscrete way. We lead by example and set the standard around this. They [employees] look to us."*

These comments were echoed by the operations manager who said:

> *"Managers don't talk about pay in front of staff. We're mindful not to act in a way that suggests that it's acceptable, that it's alright for people to do that."*

Case study participants drew a link between managers' pay secrecy behaviours and the company's pay secrecy culture. They perceived that the organisation's secretive culture encouraged managers to adopt pay secrecy behaviours. However, it was also observed that this culture was equally influenced by the pay secrecy behaviours modelled by managers and also employees' subsequent reactions to these cues. Based on the field data, the two – managerial behaviour and organisational culture – are in many ways, related.

Cross Case Analysis

Introduction

A cross-case analysis that compared and contrasted findings between the two cases was performed to gain additional insights into how and why organisations implement pay secrecy. Common themes emerge across the two case study organisations. In both organisations, qualitative data indicates that the following factors affect pay secrecy: (1) organisational scale, complexity and structure; (2) organisational culture; (3) leadership values; (4) business administrative and communication practices; and (5) intended outcomes.

How the case study organisations implemented their chosen level of pay secrecy varied widely. However, these can be compared and contrasted by arranging their methods into four overarching groups: (1) Rules; (2) Pay Disclosure Practices; (2) Employee Participation; and (4) Managerial behaviours.

The following section considers the disparate effects of the contributing factors and explores the different approaches taken by the case study organisations to design and execute their pay secrecy strategies. These comparisons are summarised in tables 5.2 – 5.4.

Table 5.2: Cross-case comparison: settings

Features	**Open Co**	**Secret Co**
Pay Secrecy Implementation	• High levels of transparency in relation to distributive pay outcomes and pay processes.	• High levels of secrecy in relation to distributive pay outcomes.
Pay Disclosure Strategy	• Disclosure of peer pay outcomes, pay processes and pay policy.	• Withholding of peer pay outcomes. • Disclosure of pay processes and pay policy on request.
Pay Disclosure and Pay Process Ownership	• Collaboration between management and employees.	• Highly centralised design and execution by HR team.
Reward System Design	• Combination of fixed and variable pay for all employees. • Pay increases are based on model revisions and promotion into higher levels in the model. • Company-wide bonus based on organisational performance is divided equally among staff. • Competency and skill-based pay model.	• Fixed pay for some employee groups. • Targeted fixed and variable reward program. • Pay increases based on relative performance and bonus payments based on individual contribution to business revenue.

Features	Open Co	Secret Co
Performance Measurement	• Combination of numbers-based and value-based. • Daily reporting of team utilisation and company performance.	• Tiered incentive pay system based on seniority. • Quantifiable or Numbers based. • Infrequent reporting of individual performance.

Table 5.3: Cross-case comparison: why do managers signal pay secrecy to employees?

Features	Open Co	Secret Co
Organisational Structure Complexity and Scale.	• Flat structure with dispersed decision making.	• Hierarchical structure with centralised decision making.
Organisational Culture	• Candidates are assessed for cultural fit with pay transparency. • High levels of financial and strategic transparency. • Emphasis on mutual trust.	• Low levels of financial and strategic transparency • Emphasis on loyalty and minimising risk.
Leadership values	• Trust and transparency.	• Risk minimising and control.
Business Administrative and Communication Practices	• Participative and transparent. • High levels of transparency across business practices. • Embedded transparency in processes. • Open and two-directional communication between management and employees.	• Rules based and developed without input from employees. • High levels of secrecy across business practices. • Embedded secrecy in processes. • Top-down communication between management and employees.
Intended Outcomes	• Encourage trust and cooperation between management and employees.	• Motivate individual employee performance by rewarding employees for individual-based performance.

Features	Open Co	Secret Co
		• Reduce conflict and pay dissatisfaction by minimising employees' knowledge of colleagues' pay outcomes.

Table 5.4: Cross-case comparison: How do managers signal pay secrecy to employees?

Features	Open Co	Secret Co
Rules	• No documented pay transparency policy. • No rules prohibiting employees from disclosing pay information.	• No documented pay secrecy policy. • Employment clause prohibiting employees from disclosing pay information.
Pay Disclosure Practices	• Established feedback and communication processes providing high levels of information sharing. • Employees participate in decision making. • Leaders sharing information.	• Limited organised pay communication to employees. • Top-down communication flow.
Employee participation	• High levels of participation and collaboration.	• Very limited participation.
Managerial behaviours	• Leadership team discloses how much they earn. • Employees are encouraged to provide feedback.	• Management treats pay information confidentially. • Employees are warned against disclosing.

Case Descriptions

Pay Secrecy Policy Decision

There are observable differences in the level of pay secrecy in the two case organisations. Secret Co implements pay secrecy in relation to pay outcomes. It does not disclose employees' pay to co-workers and prohibits employees from disclosing their pay information to others. Whilst individual pay information is kept secret; the organisation discloses some limited information about pay processes and policies which employees are free to discuss.

Open Co implements an alternative policy of full pay transparency. The case organisation shares all pay outcome information with employees and makes its pay determination model, processes and policies available to employees on its intranet site. However, the organisation does not share pay information with outsiders.

Policy Ownership

Being responsible for formal pay communication and related processes, HR practitioners play important roles in the implementation of pay secrecy and pay transparency policies at Open Co and Secret Co. However, pay secrecy and pay transparency policies are not the exclusive territory of HR practitioners who are responsible for developing and implementing pay secrecy rules through written pay communications. It is also observed that under both polices, managers play critical roles in ensuring secrecy on the one hand or encouraging transparency on the other. They are responsible for establishing team cultures around pay information sharing through their own observable self-disclosing behaviours and the way they respond to employees that do self-disclose. This is true in both cases and suggests that implementation of either policy requires some joint coordination. A common theme in both organisations is that pay communication and pay determination processes are demanding of time and resources. This raises questions about whether either pay secrecy or transparency create more work than the other.

Reward system design

Both similarities and differences were observed in the case organisations' compensation practices. In both case organisations, pay decisions are based on agreed and documented pay models. There is some observed commonality in the design of these models. Both are framed around their organisational structures to some degree and use external wage data to set pay. However, the degree of rigidity in their models vary.

Open Co's pay model ("The spreadsheet") is highly instructive. Every level in its model specifies a fixed salary and is accompanied by detailed explanations of the positions, skills, competencies and responsibilities relevant to each level. To provide further clarity, the model shows, by name, where employees sit in the model. There is no allowance made for paying employees outside this framework. This mechanistic and structured nature may contribute to, or be the result of pay transparency. It removes uncertainty, especially in regards to how each pay decision is made which might be important for alleviating employees' potential concerns about fairness.

By contrast, Secret Co's pay model is somewhat provisional. Flexibility is built into this model: pay grades for roles establish pay ranges that guide pay decisions but do not specify fixed amounts for each role. This appears to offer Secret Co greater freedom in pay setting. It is not bound by either a prescriptive framework or the need to explain pay decisions to other employees. This is observed in the greater variability in pay for employees doing equivalent roles. However, organisational members also perceived fairness in this reward system which highlighted contrasting notions of fairness in the case organisations.

Ignoring differences in pay secrecy levels, both organisations share the general compensation philosophy that employees should be rewarded for performance. Open Co awards performance-related pay to employees based on company profits. If the company performs well, bonuses are distributed equally among employees. At Secret Co, performance pay bonuses are tied to individual – not company – performance. The difference in emphasis between recognising individual versus group performance may be related to the choice of pay secrecy and pay transparency observed in the case organisations.

Performance measurement

Both case organisations make attempts to track and measure employees' performance although their approaches vary. In each organisation, managers monitor and evaluate employees' performance. The only difference being that Open Co also utilises peer-based performance feedback. This appears to strengthen the perceived credibility of performance assessments in Open Co which may be more important for building pay decision acceptance when pay is transparent. In both cases, there is also an emphasis on keeping sufficient performance records to justify pay decisions which indicates that governance measures in relation to pay decisions exist under both conditions.

Why do organisations implement pay secrecy?

Organisational scale, complexity and structure

Each case illustrates the presence of overarching settings that assist organisations to enforce contrasting policies of pay secrecy and pay transparency. In this study, there were three main facilitating setting characteristics: scale, complexity and structure. Secret

Co's organisational structure and operating style sharply contrasts with that observed in Open Co. It is highly hierarchical with a significant degree of centralised control; Open Co has a flatter structure with a dispersed distribution of power. These structures appear to demand different approaches to manger-employee communication that are reflected in each organisation's pay disclosure practices.

Possibly, the contrasting markets in which the two organisations conduct business might also shape their cultures and subsequently, their pay secrecy approach. Secret Co operates in a mature, stable market. Aside from its initial transition to pay secrecy, the organisation's business practices (including its approach to pay) are also stable, and might contribute to preserving the continuity and quality of services needed in the health care sector. Open Co, by contrast, operates in the technology sector which has been undergoing significant growth and change. In these conditions, success might require an adaptive and responsive operating model. Perhaps necessitating flexible business practices too. This seems at odds with evidence suggesting that Open Co lacks pay decision flexibility when hiring, brought about partly, because its pay transparency policy demands a rigid pay determination model that can provide certainty about pay outcomes. However, it might explain why Open Co's pay model undergoes year-by-year change and continues to evolve as the business does.

Organisational size and complexity are also shown to contribute to levels of pay secrecy and transparency in the case organisations. It is observed at Open Co, that pay transparency is easier when organisations are small. With fewer employees, organisations can build and sustain inclusive and meaningful relationships between organisational members that can withstand exposure to pay information. This level of collegiality might be harder to sustain as organisation become bigger and more complex. This was evidenced at Secret Co which employed a much larger workforce, spread across multiple sites and where it was acknowledged that the level of cross-departmental communication and relationship building was low.

Organisational Culture

Organisational leaders and HR practitioners are shown to play important roles in developing pay secrecy and pay transparency cultures. CEOs set organisational directions and HR practitioners are responsible for developing and recording workplace rules. This was true in both cases. However, it was also observed that culture is influenced by the behaviours modelled by managers.

Examples are found in the cases organisations of instances when organisational culture both contributes to, and is possibly an outcome of, pay secrecy or pay transparency. In both cases, it is observed that organisational culture sets the ground rules that guide how managers and employees treat information, including pay information. But that also, how they treat pay information sets the scene for the type of organisational culture that emerges.

At Open Co, the organisational culture not only espouses the value of transparency generally but also demonstrates it by embedding open communication into business practices, like pay transparency. Simultaneously, pay transparency at Open Co creates an environment in which managers face inconsistencies, share information and debate decisions relating to pay with employees. This builds trust, which in turn, encourages more information sharing between employees and managers.

The two-way effect of culture is also evident at Secret Co. Its traditional, control-orientated culture includes deeply ingrained principles of confidentiality that drive pay secrecy behaviours. At the same time, pay secrecy conceals pay decisions to prevent conflict or threats to managerial authority. This approach reflects a tendency among management to conceive of employees as sources of potential risk. It also creates a culture in which pay disclosures between employees are interpreted as breaches of confidentiality and trust. This has the effect of discouraging employees from expressing concerns or challenging managerial decisions as a rule.

Leadership values

In the case study analysis, it was shown that pay secrecy implementation is positively related to the personal value systems and beliefs of organisational leaders. In both cases, organisational leaders and CEOs - those who ran or managed the case study organisations - heavily influence pay secrecy decisions. In particular, decisions to adopt transparent or secretive approaches were influenced by each CEO's "world view". In this study, leaders (also being organisational founders) significantly impacted each organisation's early choices to implement pay secrecy or pay transparency. At Open Co, one founder's deep value of transparency, fairness and trust was the catalyst for the implementation of full pay transparency. This view was informed by the founder's prior negative experiences in secretive organisations and his exposure to pay inequity early in his career. At Secret Co, the decision to transition to pay secrecy coincided with a shift in the CEO's beliefs and how he perceived the relationship between management and employees. An increasing awareness of business risk, appears to have led to more emphasis on control and a subsequent adoption of conservative practices like pay secrecy.

These contrasting positions, also highlighted differences in the way the leaders at Open Co and Secret Co conceptualised employees. At Open Co, employees were perceived as value enhancing assets which appears to have resulted in a greater emphasis being placed on developing employees through information sharing. In contrast, the risk minimisation mindset held by Secret Co's CEO resulted in employees being viewed as significant expenses requiring careful management.

Taken together, the data from both case organisations suggests that rational-based decisions to implement pay secrecy and pay transparency are intertwined with values-driven decisions. In each case organisation, the observed level of pay secrecy is congruent with the expressed values of its leadership, suggesting that pay secrecy is not driven by business-related objectives alone.

While in each organisation, leaders' values are linked to strategic and operational decisions impacting pay secrecy, they also appear to guide staff behaviour. They are particularly important for "filling the gaps" for employees when pay secrecy and transparency policies are silent. Over time, behavioural norms develop to match the values and beliefs expressed by organisational leaders. It was shown, for example that leadership attitudes supportive of transparency lead to greater levels of pay transparency for employees. The opposite is true when leadership values favour secrecy. Both CEOs recognise the important role that they play in establishing pay sharing behaviours. At Open Co, for example, the CEO published his own pay and associated 360 degree peer review results. In doing so the CEO sought to set an example of pay information sharing to the organisation and to emphasise the value that the organisation attached to transparency. At Secret Co, the CEO also recognised that messages about what he valued and expected from employees were conveyed though his actions and expressed attitudes. He understood that what he did not respond to or acknowledge was as significant as what he said to employees.

Business Administration and Communication Practices

From the case studies, business administrative practices impact the choice of pay secrecy and pay transparency in two respects. First, organisational communication practices are shown to influence how organisations communicate about pay information. Pay transparency at Open Co mirrors general communication patterns that promote open, two-way communication between employees and managers. At Secret Co, communication is more targeted and less informal. As the organisation has grown, its HR department has taken on a "gate keeper" function by filtering and managing communication between senior management and employees. This style of internal communication lends itself to concealment which is observable in the organisation's pay secrecy policy.

Organisational communication practices also provide the underlying infrastructure for pay disclosure. At Open Co, teams collaborate using online platforms and chat systems. Whereas Secret Co relies more on traditional forms of business communication such as emails, meetings and telephone conversations. In both instances, the choice of communication methods influences the ease and speed of pay communication, in turn impacting the propensity of organisational members to communicate.

Business administration practices are also important in that they are suggestive of each case organisations' general approach to secrecy. Pay transparency is Open Co is indicative of a transparent approach to doing business. Information sharing is built into the way the organisation operates and represents an overall commitment to transparency between employees and management. While Secret Co shows no explicit effort to align pay secrecy with organisational secrecy, pay secrecy-related rules, managerial behaviours and practices do occur against the backdrop of other business practices that emphasise strategic and operational secrecy.

Intended outcomes

A comparison of the two cases suggests that organisations that view pay communication as a potential source of business advantage may be more likely to adopt pay transparency than those organisations that view pay disclosure as a business risk. At Open Co, perceived associations between open pay communication and positive organisational outcomes were emphasised in explanations about why the organisation engaged in pay transparency. At Open Co, there is a shared belief that employees need to understand the process through which their pay is determined and to believe that this process is fair. This reflects an underlying assumption that how employees feel about the organisation's pay philosophy and processes are likely to affect their attitudes, actions and behaviour. Pay transparency at Open Co also aims to help employees to understand how their pay fits into the organisation’s total compensation structure. At Open Co, for example, managers show employees how their pay is determined and how the organisation rewards performance.

This contrasts sharply with explanations given by Secret Co which tend to centre on mitigating risk. There is a strong belief that pay transparency triggers negative employee attitudes and behaviours that can be potentially costly for the organisation. It also introduced pay secrecy to protect proprietary pay information that, if shared, could undermine the organisation’s competitive position in employment markets.

However, comparing the two cases also reveals that organisations can adopt contrasting policies of pay secrecy and pay transparency with the aim of achieving identical or similar goals. Both organisations, for example, express similar goals of managing the emotions and behaviour of employees but adopt contrasting policies to achieve them.

A final observation is the sense of paternalism or stewardship evident in each case organisation's motivations and decisions. Decisions to *"protect"* the privacy of employees at Secret Co and to be open with employees at Open Co are both framed as serving the interests of employees as well as the case organisations. Both organisations implement blanket policies that do not give employees freedom of choice in relation to secrecy about their individual pay. The restrictions imposed on employees in their assumed interests are suggestive of paternalistic mind-sets by leaders in both organisations.

How do organisations implement pay secrecy?

Pay secrecy measures or signals observed at Open Co and Secret Co can be jointly categorised into the themes of: (1) rules; (2) pay disclosure practices; (2) employee participation; (3) managerial behaviours. The following section examines these patterns.

In each organisation, a wide range of pay secrecy signals are used together to establish pay information sharing behaviours. These policies, practices and behaviours provide employees with psychological frameworks that guide how they treat pay information. Rather than one type of signal carrying more weight and legitimacy, different signals are used, often together. At Open Co, multiple forms of pay transparency signals are apparent that encourage pay information sharing among employees and managers. These are evidenced through the release of pay decisions, the formation of joint manager-employee pay review committees and staff-wide pay-related communications.

Opportunities for employees to participate in pay determination processes are also demonstrated by the inclusive pay review process which seeks input and feedback from employees about pay and performance.

These measures contrast with pay secrecy signals observed at Secret Co where there are few sanctioned opportunities for employees to raise pay concerns or engage in pay-related conversations with managers. Pay disclosures are typically limited to one-way written correspondence and a single, annual performance pay meeting between each employee and his or her supervisor. When describing pay communication, case participants make fewer references to pay disclosures, policies or other communication with employees. Overall, opportunities for employees to participate in pay processes are low. Managers do not invite feedback from employees about pay decisions or related processes. Sometimes, managers issue verbal warnings to employees to discourage pay disclosures. In other instances, pay information is framed as proprietary information that employees should protect. These measures have the combined effect of signalling pay secrecy expectations to employees. It is likely that the examples identified in this study are not exhaustive. The perspectives of different managerial stakeholders were actively sought during the field research but it is possible that additional organisational pay secrecy signals would be identified if the field research was carried out over a longer time period.

A final important distinction should be made: the disparate pay secrecy and transparency approaches adopted by each case organisation also require distinct, separate strategies. Whereas Secret Co's methods focus on achieving employee compliance with pay secrecy rules, Open Co must adopt methods that gain employees acceptance of pay transparency. When adopting pay transparency, it is not necessary to compel employees to share pay information as the organisation is free to release this information itself. However, in order to benefit from this approach, the organisation needs the support and backing of its employees.

Rules

Pay secrecy rules at Secret Co take the form of pay secrecy clauses in employment contracts. These clauses convey pay secrecy expectations to employees. However, managers concede that full compliance is difficult to achieve. Thus, doubts remain about the effectiveness of employment clauses in compelling employees to keep pay secret. Open Co by comparison, does not address pay secrecy or pay transparency in its employment contracts. The decision to release details of pay outcomes is made at management's discretion and requires no formal permission from employees. However, this does raise questions about whether organisations should seek consent from employees before making individuals' pay transparent.

Pay Disclosure Practices

Pay disclosure forms. The cross-case analysis highlights key differences in the choice of pay disclosure methods by the case study organisations. In particular, official pay information disclosures – those made or managed through HR practitioners and senior managers – are important features that contribute to disparate patterns of pay information sharing observed in the two case study organisations.

Open Co utilises multiple channels to communicate pay information. Possibly because its inclusive approach requires disclosure processes that are two-directional and interactive. These methods signal the organisation's expectations about sharing information generally and in respect to reducing information asymmetry about pay.

Conversely, at Secret Co, the use of fewer disclosure methods demonstrates the organisation's efforts to de-emphasise pay communication. Similarly, the use of one-way communication methods set organisational expectations that management controls pay information. In Secret Co, managers restrict permissible pay discussions with employees to the organisation's annual performance review period. This has the effect of downplaying the subject of pay by placing boundaries around when managers are willing to engage in pay discussions and when employees have tacit consent to raise pay issues.

Pay disclosure policy. No written record of a pay secrecy or pay transparency policy was evidenced at either Secret Co or Open Co, indicating that policy documentation does not serve as an intentional pay secrecy signal used by these case organisations. Whilst policy records are not present, a clear policy of pay transparency is evidenced by Open Co's full disclosure of pay outcomes. This unilateral policy decision is a key strategy used by managers to signal pay transparency expectations to employees. There is no evidence to indicate that employees have the option to withhold their individual pay information from their co-workers.

Employee participation

Diverging approaches to employees' participation in pay decision processes signal contrasting pay secrecy and pay transparency expectations to employees. Greater employee input at Open Co contrasts with limited or no employee participation at Secret Co. At Open Co, ownership of the pay decision process is shared between managers and employees. The organisation has a strong culture of participation which is largely democratic; all employees provide input into pay determination processes and can contribute to policy updates. Employee participation is also actively encouraged through the creation of various pay-related working groups and open access to pay outcome data.

Conversely, at Secret Co, management and HR control pay review processes and pay outcomes. Secret Co does not solicit feedback from employees about the design of pay processes or seek input into pay determination. Also, employees in Secret Co are not empowered in pay setting or pay disclosure processes: decisions, including those relating to which pay information is shared, are made exclusively by management.

Managerial Behaviours

The findings suggest that it is not just the presence or absence of particular pay secrecy policies or rules that matter, but the ways in which managers demonstrate pay secrecy or transparency behaviours to employees. As observed at Secret Co, the presence of documented pay secrecy policies is not necessary to establish pay secrecy when managers exhibit pro-secrecy behaviours that set clear expectations about keeping pay information secret. It is observed that the unspoken workplace norms and informal rules cultivated by managers are effective in stemming pay disclosures.

In each organisation, pay secrecy or pay transparency are reinforced and supported by the behaviour of organisational leaders. There is no evidence of inconsistencies or gaps between the values that each leadership team champions and the way they behave or enforce policies. This uniformity appears to foster corresponding behaviours by employees and managers. It is particularly evident in both case organisations that organisational leaders' expressions or communication of their personal principles help employees to identify the intercept between personal values and organisational expectations about whether pay information should be secret.

CEOs in both case study organisations recognise the important role they play in establishing pay information sharing or pay secrecy behaviours. It was observed in both case studies that these leaders' own values and baseline expectations provide employees with clarity about operational norms. To illustrate, at Open Co, the CEO publishes his own pay and accompanying performance review results. In doing so, Open Co's CEO views the release of his own pay information as an expression of authenticity: a purposeful attempt to demonstrate the importance of transparency in the business.

Similarly, managers at each case organisation recognised that messages about what they valued and expected from subordinates were conveyed though all their actions. Importantly, it was understood that what managers didn't respond to or acknowledge was as significant as what they did respond to. At Open Co, managers did not raise objections when employees shared pay information, signifying that pay transparency was permissible. At Secret Co, managers downplayed the importance of pay in motivating employees and did not draw attention to changes in pay determination policies or outcomes. Overall, the findings indicate that whilst the case organisations take contrasting approaches to pay secrecy, all participants emphasise the important role of managers in setting behavioural standards about pay secrecy and transparency for employees.

Section Summary

The cross-case comparison suggests that neither organisation prescribed to one particular course of action for implementing pay secrecy or pay transparency. As shown, a range of pay secrecy and transparency measures were used together. Rather than one type of measure (such as the employment contract) being more authoritative or carrying more weight, different measures are used, often together, to implement pay secrecy in Secret Co and pay transparency in Open Co.

Findings Summary

The case study data and analysis presented here illustrate the complex mix of factors that impact pay secrecy decisions in Australian, private-sector organisations. The cases demonstrate the importance of organisational setting factors and intended outcomes in decisions by organisations to implement pay secrecy or pay transparency.

Previous explanations for pay secrecy represent a narrow instrumental view, focusing on the effects of pay information on employees' attitudes and behaviours, with a particular focus on avoiding negative effects through pay secrecy rules. This research confirms prior research showing that organisations create pay secrecy to achieved a range of intended outcomes. It was shown that organisations view pay secrecy as helpful in accomplishing goals relating to multiple stakeholders.

However, this study also demonstrates that organisational setting characteristics can influence organisational decisions to adopt secretive or transparent pay disclosure strategies. Five factors - organisational setting, culture, leadership values, administrative practices and pay disclosure behaviours - are found to be associated with pay secrecy policies. The findings suggest that variation in these factors contributes to the two case organisations adopting the different policies of pay secrecy and pay transparency.

It was shown that organisations implement these policies through a broad range of measures that signal or set expectations about how employees should treat pay information. In both case organisations, diverging signals contributed to each organisation adopting a contrasting pay secrecy approach. The qualitative data emphasised the role that organisational rules, practices and managerial behaviour play in establishing pay secrecy or pay transparency norms in workplaces.

In sum, this research offered an organisational perspective on factors related to pay secrecy and transparency in organisations. Without understanding why organisations choose pay secrecy, it is difficult to assess its true purpose or value. Nor is it straightforward for researchers to draw conclusions about an optimal level of pay secrecy without understanding the diverse factors that organisations consider when making pay secrecy or pay transparency decisions.

Researcher's Reflections on the Case Study Data

On reflection, the student researcher recognised that richer data were gathered from Open Co than from Secret Co. There are several possible explanations. First, Open Co made a deliberate decision to introduce pay transparency when most other organisations practice secrecy. Possibly, its management invested more time considering how pay disclosure impacts its organisation, leading to detailed responses to interview questions. Second, by deliberately practicing pay transparency, Open Co had taken an active rather than passive approach to pay communication compared to Secret Co. As a result, Open Co's management team may have found it easier to recount observations about pay disclosure in its organisation.

Also of note, findings reported here are drawn from the impressions, memories and opinions of organisational members after decisions to adopt a given pay secrecy or pay transparency policy were made. As such, the onsite research missed earlier discussions, and possible debates, about pay secrecy signalling. During the study, these agreements had already been finalised and likely pivotal decisions about desired levels of pay secrecy had been made. Every attempt was made during onsite visits and interviews to recreate the events surrounding these initial decisions however, this relied on participants' recall. It is possible that these circumstances occasionally resulted in the reporting of partial or inaccurate recollections of events by participants.

Chapter Summary

This chapter presented findings that described how company founders, HR practitioners and managers experience and understand pay secrecy in two case study organisations. These varied perspectives offered a clearer understanding of pay secrecy policies and practices in private organisations. In doing so, this study compared the reasons why organisations adopt different pay disclosure practices in organisations that were practicing high transparency or practicing high secrecy. It identified factors that distinguish organisations who implement pay secrecy from those that adopt pay transparency. The study was bounded to two organisations in Australia, who represent different points along the pay secrecy continuum.

The study demonstrated that pay secrecy does not exist in a vacuum. Environmental conditions are key factors influencing an organisation's decision to implement pay secrecy (or pay transparency). An organisation's setting; culture; leadership values, and business and communication practices were found to be important determinants of these organisational policies.

This study also revealed how organisations practice and implement pay secrecy (and transparency) policies. It was found that organisations send signals - through workplace rules; pay disclosure practices; levels of permitted employee participation; and managerial behaviours – in order to create employee impressions that support a given level of pay secrecy. In this chapter, a cross-case analysis also directly compared patterns of evidence across the two organisations. The presence and absence of pay secrecy signals and associated explanations across both cases were considered.

In the final chapter, a synopsis of the themes and their relationship to the existing literature is presented. Findings are summarised and interpreted with respect to existing literature and the research questions that guided the data collection and analysis. Implications for theory and practice are also addressed.

CHAPTER VI

DISCUSSION AND CONCLUSION

Introduction

This thesis set out to investigate what motivates organisations to be secretive about pay. Prior research into pay secrecy has often focused on the effects of pay secrecy rather than examine the reasons and methods by which organisations implement pay secrecy. These previous studies usually sought to capture how employees and managers respond to different levels and types of pay information provided to employees. While this approach has provided insights by identifying the outcomes of pay secrecy it cannot explain how or why pay secrecy occurs.

There is substantive research that identifies the benefits of pay transparency to organisations and employees. Pay transparency is believed to be an answer to employee performance problems associated with information asymmetry which distorts pay signals (for example, Futrell & Jenkins, 1978; Lawler, 1965a). However, empirical data shows that many organisations favour pay secrecy (Day, 2007; Shields et al., 2009). Researchers have speculated about why this is the case. Although explanations for pay secrecy can be found in the literature, there is limited empirical support. And until now only a few prior studies have investigated this issue (for example, see Brickley et al., 2000). Adding to this, the pay secrecy literature has not considered how organisations implement pay secrecy. Researchers have made assumptions about how organisations keep pay secret but there is no empirical evidence that identifies or compares the measures that organisations employ. It is on this basis that the research presented here explored the pay secrecy motives and practices of organisations. Specifically, the study attempted to answer these related questions:

1. Why do organisations implement pay secrecy?
2. How do organisations implement pay secrecy?

To answer these questions, two qualitative studies were carried out. These studies used signalling theory to explain why and how organisations implement different levels of pay secrecy. Signalling theory (Spence, 1973) suggests that organisations make strategic decisions about the information they disclose to employees. This theory offered a new way to interpret the phenomenon of pay secrecy in organisations and to broaden our understanding of why organisations behave in ways seemingly contradictory to predictions derived from equity theory. The first study, an interview-based study, examined the pay secrecy policies and practices of Australian, privately-owned organisations. It examined the barriers to, and the supports for, making pay information more transparent to employees. The second study employed a case study methodology to offer a detailed explanation of how contrasting policies of pay secrecy and pay transparency develop and are implemented in organisations and the outcomes that these organisations hope to achieve. This chapter concludes the thesis. In the following sections, findings are discussed, and research contributions are highlighted. Practical implications of this research are outlined and suggestions for further research are also made.

Discussion of Findings

Introduction

Pay secrecy provides a unique study of the workings of signalling theory. A central theme of signalling theory is that signals reduce information asymmetry between organisations and employees (Connelly et al., 2011). These signals - in the form of practices, behaviours and expressed attitudes - convey new information that employees can use to draw conclusions about how they should think and act, including which behaviours will be rewarded or punished in the workplace. Organisations send these signals whenever increasing the knowledge of employees is likely to be beneficial to the organisation.

The current research investigated how and why organisations communicate pay secrecy to employees. It was shown that organisations convey this message through a combination of measures that act as informational signals. These signals reduce uncertainty among employees about how organisations expect them to treat pay information. This research supports prior studies illustrating that managerial actions and behaviours are powerful signals about how organisations require employees to behave (for example, see Bowen & Ostroff, 2004; Dries & De Gierter, 2014; Haggerty & Wright, 2009; McNall et al., 2010). The following discussion explains these findings and positions them in respect to the pay secrecy literature.

Conceptualising Pay Secrecy

The pay secrecy literature tends to treat pay secrecy as a dichotomous construct: organisations either disclose or withhold pay outcome information from employees (for example, Bamberger & Belogolovsky, 2010; Futrell & Jenkins, 1978; Lawler, 1965a; Major & Adams, 1983). This static definition ignores the rich variety of pay-related information collected and maintained by organisations. More recently, researchers have suggested that pay secrecy is more likely to operate across a spectrum (Colella et al., 2007; Day, 2011, 2012; Marasi & Bennett, 2016). An observation from the data presented here is that pay secrecy varies not only across organisations but also within organisations and that levels of pay secrecy can vary with the nature of pay information.

These findings support a definition of pay secrecy as multidimensional. It is shown that organisations make choices about the type, depth and breadth of pay information they disclose. Organisations disclose this pay information externally, internally or not at all. This includes official and informal disclosures; financial and descriptive information; and pay outcome data versus process-orientated information. In practice, pay secrecy is shown to vary, as not all organisations release pay outcome data to employees and their degrees of pay disclosure levels differ. However, the findings do reveal some observable patterns. The pay disclosure practices of sampled organisations can – at best – be described as secretive with the evidence showing that few firms embrace pay outcome transparency with employees. Organisations are also much more likely to withhold pay outcome information but to be transparent about pay processes and policy information.

The findings also revealed variation in the use of organisational rules and norms to establish pay secrecy. These workplace rules signal to employees the forms and types of pay information that they are permitted to share. It is shown that managerial pay secrecy expectations vary depending on the nature of pay information. Overall, the research suggests that organisations are more accepting of employees sharing information relating to pay processes than pay outcomes.

In sum, organisations vary their level of pay secrecy through the level and nature of pay information that they disclose to employees and through the degree to which they allow pay disclosures between employees. These observations fit with Smit and Montag-Smit's (2019) pay secrecy definition that differentiates between managerial decisions to withhold pay outcome information from employees and organisational rules that prohibit employees from sharing pay information.

Scholars have defined pay secrecy in broad terms but for the most part, the available research has failed to describe what no pay secrecy – that is, pay transparency – is. Transparency seems to be regarded as occurring when organisations openly communicate about pay with employees. However, there is no clearly defined threshold of pay disclosure that constitutes organisational pay transparency. A transparent approach undoubtedly requires that pay disclosures are made to employees beyond what they are personally paid. However, this research raises questions about the extent and quality of information in pay disclosures that fit the definition of transparency.

In this research, most participating organisations disclose some level of pay policy or process information to employees, however, these disclosures still vary substantially in relation to the level of detail and subject content that they provide. Organisations may provide an abundance of pay-related information but still fail some minimum baseline of transparency if the disclosures lack the degree of detail and clarity of information necessary to be useful or insightful to employees. These observations suggest that pay secrecy and pay transparency are subjective concepts – something that previous research has not addressed.

Theoretical model

This research sought to test a theoretical explanation of how and why organisations implement pay secrecy. A conceptual model was developed that applied signalling theory (Spence, 1973) to the context of pay secrecy. This model was informed by the literature review and the data collected in the present research. It synthesises current knowledge of pay secrecy with signalling theory and offers an initial theoretical framework for understanding how and why organisations implement secrecy.

Using this model, it is proposed that pay secrecy develops when organisations send pay secrecy signals to employees. The goal of these signals is to create information asymmetry between organisations and employees with respect to pay outcome information. These signals, taking the form of organisational rules, behaviours, practices and expressed attitudes, reveal organisational preferences about sharing pay information. This research theorises that employees receive and interpret these signals and in turn, adopt matching behaviours.

Findings from this research provide general support for this model of organisational pay secrecy signalling. The model (presented in Figure 4) distinguishes three stages in the signalling process: (1) the pay secrecy signal decision; (2) the pay secrecy signal delivery; and (3) the pay secrecy signal outcome. This research examines the first two stages of this process (signal decision and signal delivery). Stage 3 – pay secrecy signal outcome – is omitted as this research sought to capture the perspective of the signaller rather than the receiver. The number of categories identified in stages one and two in the model demonstrate the complexity and range of pay secrecy signals sent by organisations to employees and the numerous factors that influence these signalling behaviours.

Based on the current findings, organisational decisions to send pay secrecy signals are based on a broad range of factors. Stage one in the conceptual model classifies these factors into three categories: employee-centric, manager-centric and organisation-centric factors. These categories can be further divided into two groups: (1) rationales on which organisations make decisions to signal pay secrecy, and (2) setting or environmental factors that influence pay secrecy decisions. Each factor is found to contribute to how, and to what extent, organisations' send pay secrecy signals to employees.

Of the rationale-based explanations, employee-centric explanations were found to be especially important. Based on prior research, it was anticipated that organisations make decisions to signal pay secrecy to employees based on beliefs about how employees respond to pay information. This model confirms earlier assumptions that organisations are concerned about employees' reactions to pay information (for example, Colella et al., 2007). Concerns about employees' emotions, objectivity, understanding and preferences in relation to pay information are shown to feed into decisions by organisations to implement pay secrecy.

In addition to these explanations, the model captures a number of manager-centric and organisation-centric rationales behind organisational decisions to implement pay secrecy. Some of the reasons why organisations implement pay secrecy are consistent with existing explanations in the literature. The data confirmed that organisations make pay secrecy decisions that are driven by concerns relating to conflict avoidance and relationship management (Colella et al., 2007), cost control (Patten, 1978), competitiveness (Bierman & Gely, 2004; Danziger & Katz, 1997), flexibility (Bowman & Stevens, 2012) and systems and performance measurement (Patten, 1978). These findings draw a link between rationales previously posited by scholars and the explanations provided by the study participants involved in making and executing these decisions in organisations. Building on this list, the research also identified new reasons. These included: rationales relating to managerial capability, resourcing, strategic relevancy, paternalism, administration legacy and alternative performance recognition practices.

The present research demonstrated that organisations tend to favour pay secrecy when managers are perceived in organisations to lack the attributes, abilities and interpersonal skills needed to competently manage employees' reactions to pay information. The capacity of organisations to resource and support policy decisions are also shown to be important.

Organisations adopt greater levels of pay secrecy when transparency is perceived to require significant managerial effort and time spent communicating with, and managing the reactions, of employees. When this effort diverts managers from achieving strategic goals, organisations tend to adopt pay secrecy. In other instances, organisational decisions to implement pay secrecy can be paternalistic and motivated by a desire to protect employees from potentially upsetting pay information.

For other organisations, ongoing pay secrecy practices prevail because organisations simply have not reviewed or identified reasons to change existing pay communication approaches. Finally, organisational decisions to adopt pay secrecy are influenced by the use of alternative HR programs to recognise and reward employee performance. Organisations adopt pay secrecy when they are less reliant on pay information to motivate employees.

An important observation from the data was that several of the intended outcomes of pay secrecy do not diverge significantly from those associated with pay transparency. Both policies are often based on intended goals to shape and control the behaviours of employees and job candidates in ways that are believed to benefit organisations. However, there is a notable difference in emphasis on the instrumental versus symbolic value of these policies. Many of the rationales given for pay secrecy are of an instrumental nature; secrecy is regarded as a tool for managing employees' performance, motivation and cooperation or in response to the broader pressures of competition. The adoption of pay transparency, conversely, appears to be grounded more on impression management; it is used to symbolise organisational values and underlying characteristics in order to influence the perceptions of employees.

Adding to these considerations, it was shown that choices about pay secrecy vary in response to particular organisational contexts. Differences observed in organisational scale and complexity lead to different pay secrecy signalling decisions, confirming earlier research by Balkin and Gomez-Mejia (1990). In addition, organisational structure, organisational culture, business administrative practices, and demonstrated leadership values are shown to affect pay secrecy signalling decisions. In some cases, two-way effects were observed between pay secrecy and some characteristics of the organisational setting. Examples were found when the given level of pay secrecy both contributed to, and influenced organisational culture and business administration practices.

The conceptual model that was based on signalling theory and presented in the Literature Review in Chapter Two was founded on the idea of rational choice which suggests that people and organisations act in their own interests. However, this is a highly normative position, which ignores the influence of subjective perceptions and assumes that that organisations make purely rational calculations of the costs and benefits of signalling. Findings from the research presented here demonstrate that other frameworks – such as personal values and belief systems – also influence organisational decisions to implement pay secrecy and challenge previously held assumptions that pay secrecy choices are purely rational. As noted, an important finding of this research is that the personal values of organisational leaders can influence these choices.

This model also sought to explain how organisations implement pay secrecy. Consistent with signalling theory, this model suggested that organisations send "pay secrecy signals" to employees to encourage pay secrecy behaviours. Findings from the present research confirm this. Using the data collected, Stage Two of the conceptual model categorises pay secrecy signals into five groups: rules, managerial behaviours, organisational culture, pay disclosure practices, and pay disclosure attributes. Together these signals reveal organisational preferences about sharing pay information. A typology of the pay secrecy signals observed within each category is presented in Figure 4. In the conceptual model, pay secrecy signalling is understood to vary between two categories of pay information: pay outcome information and pay process information.

In the model, it is posited that employees receive these signals and form conclusions about organisations' expectations in relation to pay secrecy (Stage 3). These signals are theorised to lower information asymmetry relating to how organisations expect employees to treat pay information. In turn, it is proposed that employees modify their behaviour to mirror the pay secrecy attitudes conveyed by these signals. There is substantial prior research showing that employees' behaviour is influenced by the behaviour, practices and attitudes expressed and demonstrated by management (Towler et al., 2014). However, this final stage of the model remains untested. This research examined stages one and two by investigating the shared perspectives and experiences of managers and HR practitioners. However, it opens the possibility for future researchers to use samples of employees to test how organisational pay secrecy signals are received and interpreted.

To summarise, this conceptual model provides a framework for understanding why and how organisations implement pay secrecy using principals of signalling theory. It expands current explanations of organisational pay secrecy decisions by drawing attention to the influence of employee-centric, manager-centric and organisation-centric factors. Additionally, the model captures how organisations implement pay secrecy by identifying the range of measures that organisations use to signal pay secrecy decisions to employees. This model posits that employees use these signals to guide and modify their own pay secrecy behaviour to meet organisational expectations. In the next section, the significance or contribution of the present research is discussed. This contribution is divided into three parts: theoretical, empirical and methodological.

Understanding How and Why Organisations Implement Pay Secrecy

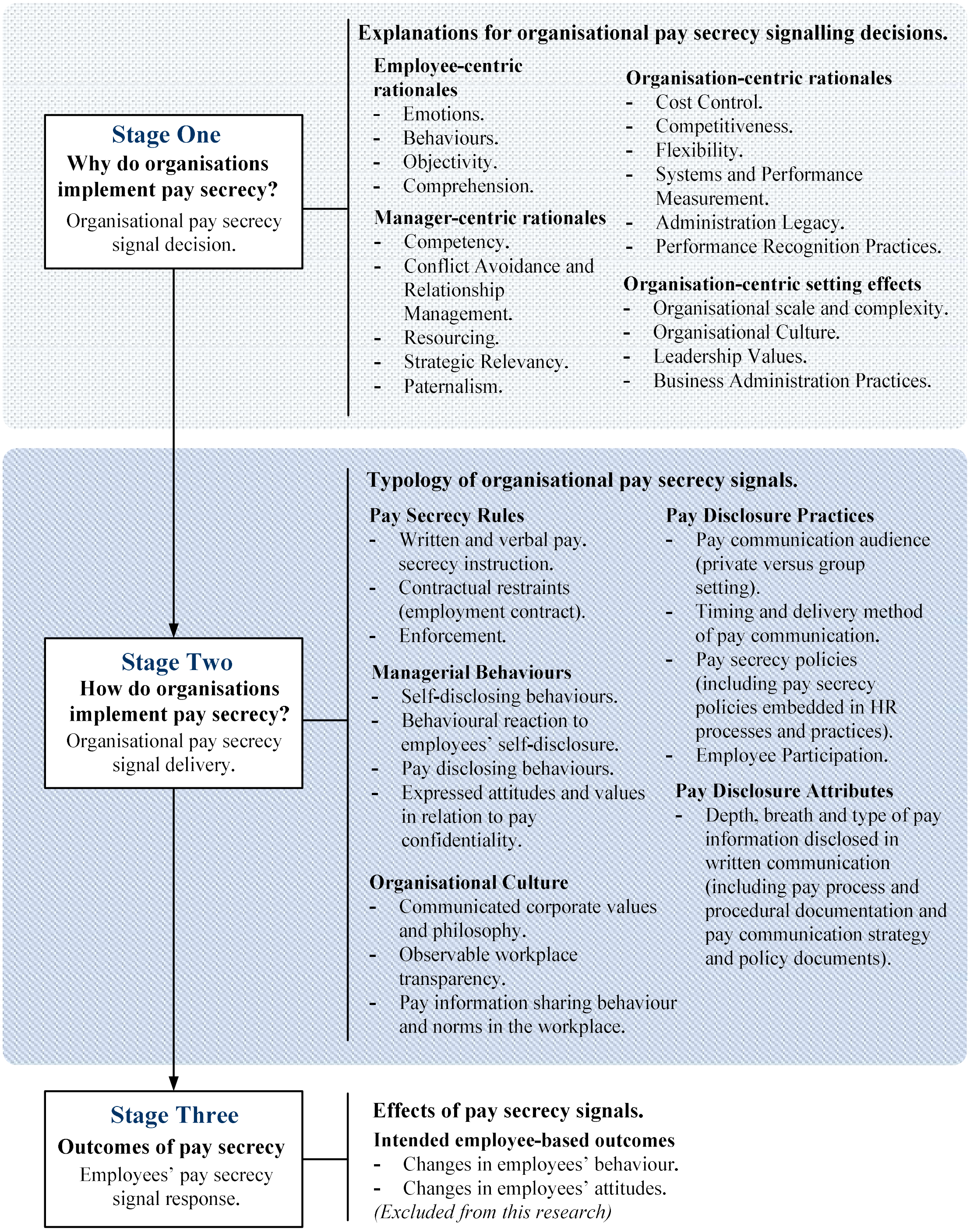

Figure 4. Conceptual Model of Pay Secrecy Implementation

Contributions of the research

This research provides useful insights for researchers, HR practitioners and policy makers interested in pay secrecy - its implementation and impact. Because pay secrecy is the preferred policy of private-sector organisations, the findings from this research lead into new, important areas of inquiry for management scholars. Prior research into pay secrecy has focused on two areas: (1) how pay secrecy affects employees; and (2) how pay secrecy affects pay decisions. Taking another direction, this research focuses on answering the questions of why and how organisations practice pay secrecy. The empirical and conceptual contributions are discussed below.

Theoretical Contribution

Signalling theory as a theory for understanding pay secrecy

The current research makes three important theoretical contributions. First, this research applies signalling theory to understand pay secrecy. There have been a range of disparate rationales for pay secrecy put forward in the literature but not a theoretical framework to explain these decisions or how managers operationalise them in the workplace. A shortcoming of pay secrecy research is that it "ignores relevant though unacknowledged theoretical traditions" (Miller & Wiseman, 2001, p. 705).

Most of our knowledge about pay secrecy is interpreted through the lens of equity theory which is useful for understanding how employees respond to pay information but not for examining how organisations choose and operationalise pay secrecy. In other research, signalling theory is used to explain the hiring process (Ehrhart & Ziegert, 2005), political behaviour (Hochwarter, Ferris, Zinko, & Arnell, 2007) and attitudes to training initiatives (Towler et al., 2014). Together these studies illustrate how signalling theory can be an appropriate theoretical framework for understanding HR policy and practices in organisations. By also applying signalling theory, this research provides a framework for understanding both why organisations implement different levels of pay secrecy, and why they are secretive about different dimensions of pay information.

Understanding organisational signalling decisions

Secondly, in applying signalling theory, this research expands current thinking in relation to signalling decision-making. An emphasis of the signalling literature is that signalling is motivated by organisations' desire to improve their positions or circumstances. This implies that signallers make signalling decisions based on economic principles of rational decision making (Connelly et al., 2011) that consider the relative benefits and costs of signalling.

The current research supports this assumption by finding that pay secrecy signals are indeed often intended to create favourable conditions for organisations. This finding is consistent with other research showing that organisations intentionally signal information to investors to produce favourable market responses (Kothari, Shu, & Wysocki, 2009).

However, the findings from the present research also suggest that signalling decision making is more complex than originally conceptualised. It appears that cognitive biases or subjectivity in thinking may impact managerial judgement when making pay signalling decisions on behalf of organisations. This is evident in the observable values-based decision making of leaders but also in the paternalist-style responses of study participants. In the present research, those responsible for making pay secrecy decisions are shown to consider factors like personal feelings, values, ethical concerns and altruistic intentions which cannot be easily measured. Generally-speaking, the findings indicate that managers do evaluate the costs and benefits from sending pay secrecy signals but are constrained by the “limits of their abilities” (Ward, Stafford, & Gray, 2006, p. 572) and so demonstrate less rationality than previously assumed. These findings highlight a bias in how pay secrecy decisions have been previously understood that has emphasised facts and analysis but overlooked the influence of personal preferences, subjectivity and intuition.

Understanding organisational signals

Finally, this research extends signalling theory research by investigating organisational signalling decisions and strategies. Most signalling theory research concentrates on how recipients interpret and respond to signals. Management scholars have explored how employees interpret signals from organisations (Arthur, Herdman, & Jaewan, 2016; Bowen & Ostroff, 2004; Dries, 2014; Haggerty & Wright, 2009; McNall et al., 2010). However, less is known about the signalling intentions and deliberate signalling behaviour of organisations (Wilhelmy et al., 2016). It is important to understand how and why signallers send signals in order to evaluate the outcomes of signals - such as whether they reduce information asymmetry or produce the changes intended by signallers.

This research expands on the literature by exploring signals from an organisational perspective. It does this by focusing on a specific context – pay secrecy policy. This provides the opportunity to create a typology of signals that can expand our current knowledge of how organisations signal information to employees. This research also identifies the outcomes that organisations seek to achieve by sending these signals. In doing so, this research addresses calls by Connelly et al. (2011) to investigate the motivations of signallers.

Empirical Contributions

Understanding the continuum of pay secrecy

In the past, experimental researchers rarely drew distinctions between different types (outcome and process) and degrees of pay secrecy when estimating their effects. Findings from this study suggest that these distinctions are important and that pay secrecy is more nuanced. This supports earlier suggestions by Colella et al. (2007) that pay secrecy operates along a continuum. Little or no research has examined how organisations make decisions about which pay information to disclose to employees. Previous research tends to characterise secrecy in general terms and fails to recognise that determinants of pay secrecy are also likely to vary depending on the type of information that is disclosed. This research confirms that organisations perceive higher costs when releasing pay outcome information, and form separate rationales for decisions to keep this type of pay information secret (Urquiza, Navarro, Trombetta, & Lara, 2010). Secrecy also tends to surround pay process and policy information in organisations but the level of secrecy across organisations tends to vary more widely.

The observed variation in the treatment of pay information, can at least partly be explained by the contrasting effects that organisations tend to ascribe to pay process transparency and pay outcome transparency. To vary levels, transparent pay processes were believed to improve employees' acceptance of pay outcomes and perceptions of pay fairness. Transparency about pay outcomes – by contrast – was widely perceived as being highly damaging to employees' pay acceptance and fairness perceptions. As a consequence, organisations were observed to frequently adopt markedly different communication approaches in relation to pay processes and pay outcomes.

Understanding why organisations implement pay secrecy

Second, the present study provides empirical evidence on the determinants of pay secrecy strategies. Despite decades of pay secrecy research, the reasons why organisations implement pay secrecy remain unclear. Many of the existing explanations for pay secrecy were single factor and untested, and it was uncertain which of these explanations were relevant to organisational agents who make these decisions. This empirical research confirms some previous rationales - while also presenting several new explanations for pay secrecy in organisations. Previously, the most common explanation was that pay secrecy decisions are triggered by concerns about employees' reactions to pay dispersion (eg. Colella et al., 2007). The present research confirms this but provides a deeper understanding of how organisations form beliefs about employees' reactions and the factors that contribute to these concerns. These concerns are not merely based on a study of human nature but also consider the internal capacity of organisations to respond to, and manage the reactions of employees including their ability to justify pay decisions. Among other things, organisations take into account the quality of their managerial pool, resourcing levels and the sophistication of their pay systems and processes.

This research also identifies new factors that explain organisational pay secrecy. Of note, it is shown that pay secrecy decisions are informed by environmental factors like organisational characteristics. Findings from Study 2, for example, suggest that small organisations with flat structures, good communication, inclusive corporate cultures and transparent leaders may be more inclined to adopt higher levels of pay transparency. Whereas other organisations characterised by large scale, complexity and traditional cultures that emphasise confidentiality appear to favour greater levels of pay secrecy.

These findings suggest that it is necessary to re-think the reasons why organisations create pay secrecy. Usually, the issue of pay secrecy is framed as protecting organisations from risk - a perspective that is too narrow, given the range of contributing factors revealed in this research.

Understanding how organisations implement pay secrecy

Third, this study provides a typology of pay secrecy signals sent by organisations to employees. In defining pay secrecy, previous researchers broadly differentiate between two forms of pay secrecy: managerial secrecy about pay information and communication restrictions placed on employees (for example, Smit & Montag-Smit, 2019). However, little is known about the methods used by organisations to implement these forms of pay secrecy, especially in regards to how organisations encourage pay secrecy behaviours in the workplace. Until now, our knowledge has been especially limited with respect to how organisations restrict pay communication between employees. Equally, prior research has not addressed how organisations build acceptance among employees for its opposite - pay transparency. It is apparent from this research that pay secrecy and pay transparency both require some level of ongoing employee cooperation or acquiesce. Establishing behavioural norms that support pay secrecy behaviours provides a solution for organisations that would otherwise experience difficulties ensuring compliance through monitoring and punishment alone. The need to re-state the issue into one of managerial signalling seems particularly important to any discussion of how organisations compel employees to conform to certain attitudes or behaviours that support pay secrecy or pay transparency policies.

This research goes beyond pay secrecy rules imposed on employees to emphasise the range of measures and tactics that organisations use to implement pay secrecy. This is not intended to minimise the importance of formal pay secrecy rules but to supplement our current understanding by acknowledging that organisations forge behavioural standards in many ways. This approach offers a more realistic portrayal of how organisations implement pay secrecy. It might also explain why previous studies suggest a low use of formal pay secrecy policy measures as many of the observed tactics that organisations use to implement pay secrecy are informal and unwritten.

Methodological Contribution

Finally, this research makes a contribution by adopting a different methodological approach from previous pay secrecy research. Until now, most of the existing knowledge of pay secrecy has been based on laboratory-based experimental studies. Gaining permission to conduct field research about pay secrecy has been difficult since many organisations view pay secrecy as sensitive and prefer to avoid attracting the attention of outsiders or from encouraging employees to reflect on pay secrecy policies. However, this research uses field data that makes it possible to explore the topic from an organisational perspective. It captures the voices of the stakeholders who make and operationalise pay secrecy decisions which has been missing in the pay secrecy literature. In adopting a qualitative approach, it was possible to understand the setting-specific nature of pay secrecy, where context is important and rationales can be difficult to identify using more commonly-used quantitative methods.

Summary of Contribution

This research makes several contributions. Empirically, the research offers new evidence on why organisations implement pay secrecy and provides a typology of pay secrecy signals that offers insight into how organisation implement pay secrecy. It also recognises that pay secrecy operates along a continuum by investigating how both pay secrecy and transparency evolve and operate in organisations. From a theoretical standpoint, the research extends existing scholarly knowledge of signalling decision-making. It also applies the principles of signalling theory to introduce a theoretical framework for understanding organisational pay secrecy behaviour. Finally, the research uses a different methodological approach from previous research to capture the perspectives of organisational agents making and implementing pay secrecy decisions.

Limitations of the Research

There are several potential limitations of the two studies presented here. To begin, findings from this qualitative research can be generalised to "like" or similar organisations. They cannot however, be generalised to participants and settings that are substantially different from those interviewed or "beyond the particular sample of the study" (Ritchie & Lewis, 2003, p. 264). Additionally, qualitative research addresses questions of "how" rather than "how many" (Pratt, 2009, p. 856 quoted in Follmer et al., 2015). Its goal is to explore participants' experiences and perspectives in depth. Future research using quantitative data is needed to test the strength of the relationships between pay secrecy and the factors identified here.

This is particularly true since, in the current study, the definition of the population (that is, Australian, privately-owned organisations) is broad. In Study One, 40 key decisions makers participated while two case study organisations were investigated in Study Two. The data collection captured the experiences and perceptions of people in private sector organisations that were implementing forms of pay secrecy. It is unclear how the findings might relate to the experiences of public sector organisations where pay transparency levels are often higher (Rosenfeld, 2017). Also, as this research is confined to Australia, it is possible that organisations in other parts of the world differ in their pay secrecy behaviour.

Ultimately, samples were limited to the number of participants available to the researcher. To counter sample bias, participants were recruited with differing ages, gender and experience. Building a mixed sample of participants increased the likelihood that greater diversity in perspectives and experiences would emerge from the qualitative data. However, achieving the desired mix of participants was not easy. Fewer male HR practitioners agreed to participate in the interviews than females. Perhaps in part, because there are more female than male HR practitioners (Burt, 2017). To remedy the gender imbalance, male managers were more actively recruited for the interviews. It should also be stressed that the sample was not demographically representative of the wider population: participants were relatively well educated and from English-speaking backgrounds. Setting aside these qualifications, the goal was not to offer generalisations about the whole population but to uncover themes for future study. It might also be argued that these samples, whilst not representative of the broader community, do reflect the general characteristics of the population under study. Educated, female participants tended to reflect the general profile of HR practitioners in Australia.

A second limitation of Study One and Study Two was the potential for researcher bias. Qualitative research requires interpretation which varies among individuals and heightens the risk of the researcher unconsciously introducing personal bias into the analysis. To mitigate this risk, the researcher took the advice of Creswell (1998) and avoided conducting research "in one's own backyard" (p.114). The researcher did not conduct the research with her previous employers and while the researcher knew some participants beforehand, she did not have prior business or personal dealings with most participants. When prior relationships existed, the researcher avoided discussing the research questions or expressing opinions about the research topic beforehand. Additionally, the researcher was not employed as either a manager or HR practitioner when the research was performed. There was a small risk that the researcher unconsciously attached more weight to data elicited from HR practitioners given her previous experience in the profession. To counter this, and to increase the trustworthiness of the findings, deep descriptions of the analysis were combined with a detailed description of the process.

Subject reliability represents a third limitation of the two studies. The qualitative interviews relied on the truthful reporting of behaviours and perceptions. Self-reporting by participants may have been influenced by personal bias or inaccurately depicted what occurred in organisations. Many factors affect participants' candour and reliability and while every effort was made to make participants feel comfortable, several potential sources of bias existed in relation to the way respondents answered questions. These included issues relating to the reliability of participants' memories as well as the potential for participants to provide socially desirable responses to interview questions. To address these problems, data triangulation (that is, the collection of data from multiple sources) was undertaken to corroborate results and validate emerging themes (Easterby-Smith, Thorpe, & Lowe, 2002).

Similarly, on some occasions, participants struggled to recall examples of relevant experiences, making it challenging for the researcher to pursue an in-depth line of questioning. Possibly the absence of information may be taken as a result in of itself. It might indicate that people do not attach much weight to pay secrecy practices or cannot easily associate particular organisational outcomes with pay secrecy.

Finally, the research was limited by the verification of its findings. The student researcher cross-checked the findings with five participants. Each participant reviewed the interview scripts for accuracy and confirmed that the student researcher's interpretation of their answers correctly captured their intended meaning. However, obtaining confirmation from interview participants can be difficult (Caretta & Pérez, 2019). In this research, some participants were unavailable to verify the findings due to their demanding work commitments and schedules.

Implications of the Research

Implications for Organisations

Despite the problems described above, this research has implications for organisations. Overall, the research data suggests that there is no single explanation for why or how organisations implement pay secrecy. Organisations consider the myriad costs and benefits of pay secrecy in which the interests of managers, employees and other organisational stakeholders are considered. However, it was also observed in the present research that organisations often adopt pay secrecy practices without a coherent strategy. These organisations do not plan their pay secrecy approach and the reasons why they adopt these practices (or who they specifically benefit) are not always well understood. For organisations seeking to introduce pay secrecy, the current research highlights the need for planning and having clarity about the purpose it serves.

Nonetheless, the experiences and perspectives reported by participants in the present research suggest some common or reoccurring issues for organisations to consider when designing or reviewing pay secrecy policies. Some of the research presented here indicates that transparency may deliver tangible benefits to organisations, however, organisations and HR practitioners considering a shift from pay secrecy should proceed with caution.

To begin, organisations should consider the existing organisational culture when implementing a given level of pay secrecy. Culture influences how employees and managers behave, so it is likely to impact the adoption of workplace behaviours that support the organisation’s pay secrecy position. Organisations will have difficulty implementing pay secrecy or transparency if they are inconsistent with their overall culture, especially in regards to the way they communicate with employees. To some extent, HR policies and practices can build organisational cultures that support given levels of pay secrecy. The findings reported here suggest that hiring processes can filter candidates for matching values while onboarding communication can set early expectations about pay disclosure behaviour.

Organisations must also be cognisant of the role that managerial behaviour plays in building employee support and compliance with pay secrecy policies. It was shown that the behaviours that managers exhibit influence how employees behave toward pay information. Managers wishing to cultivate an environment of transparency for example, must be seen to champion it. Meanwhile, pay secrecy rules of themselves do not appear to be sufficient to implement pay secrecy and are possibly not as important as managers demonstrating pay secrecy behaviours to employees.

Organisational programmes aimed at increasing pay outcome transparency should, as a priority, demonstrate the organisation's willingness to explain pay decisions. As Opsahl (1967) noted, effective pay transparency involves publishing more than pay outcomes. Without also communicating the basis of pay, organisations can discover that individuals become disgruntled when they cannot recognise differences in job requirements between co-workers, managers and subordinates. Being transparent about pay processes and policies would be an important step toward pay transparency, although comprehensive internal communication about pay determination and its relationship to performance offers the greatest chance of success for organisations wishing to become more transparent. It also appears from the findings that the effective and objective measurement of individual employee performance is important. Pay evaluations tied to measurable performance criteria are also essential (Futrell & Jenkins, 1978; Thompson & Pronsky, 1975). Therein lays the challenge of pay transparency: justifying individual employee pay decisions is problematic when they reflect unquantifiable factors like creativity, interpersonal skills and knowledge.

It is also important for organisations to understand that they may – intentionally or otherwise - send signals to employees through their pay secrecy policies and practices. When pay information is secret, employees cannot directly observe how pay decisions are made. However, they can observe organisational signals about the rules that govern pay. Pay secrecy rules, for example, may call into question the motives of management if they are perceived to be deceiving or hiding pay information. This point has also been raised recently by Smit and Montag-Smit (2020) who find that employees make inferences about organisations based on their pay secrecy policies. Alternatively, detailed disclosures about pay processes, for example, might be suggestive of objectivity and impartiality in pay decision making.

That being said, organisations also consider the potential costs of pay secrecy. Pay secrecy can require organisations to compromise traditional methods of motivating employees – such as through pay signalling – in favour of other tactics. Organisations in this research report the use of other HR programs to motivate employees and recognise performance as substitutes for pay transparency. But the relative effectiveness of alternative tactics is unknown and likely to vary. This issue raises important, but difficult questions about the benefits of using pay differences to incentivise employees versus minimising perceived costs associated with pay transparency. Because there is conflicting empirical evidence, there is no straightforward answer to the question of which option is better for organisations.

The findings presented here indicate that a tightly prescriptive, standardised approach to pay secrecy or transparency may not suit all organisations. Consideration should be given to the context and conditions that are needed for pay information to produce positive organisational outcomes. In particular, these recommendations reinforce suggestions by other researchers that support for either approach is conditional. The effects of pay secrecy and transparency can vary depending on an organisation's culture, primary business and people (Bamberger & Belogolovsky, 2010).

Implications for Legislators

This research also provides opportunities for regulators and policymakers to understand the reasons why organisations practice pay secrecy. Understanding the purpose of pays secrecy and the managerial motives behind these policies might assist lawmakers in determining whether there is a case for future policy reforms. Previous attempts to regulate the use of pay secrecy provisions in Australia have failed – in part – due to a lack of empirical evidence. Using the evidence presented here, it is suggested that policymakers work together in partnership with organisations and employee groups to identify best practices for pay disclosure, taking into consideration the benefits of open communication while also recognising organisations' concerns about the risks of greater transparency.

Directions for Future Research

This research will be of interest to compensation scholars interested in pay secrecy, as well as other management disciplines that examine signalling and its effects on organisational behaviours and policy design. It investigated the relationship between antecedents of pay secrecy and variation in the levels of pay secrecy in organisations based on the research questions: why and how do organisations implement pay secrecy? This research provided new insights by capturing the complexity of factors that explain the use of pay secrecy in organisations and demonstrates the diverse range of explanations about why organisations implement pay secrecy. It also expands our understanding by identifying the important domains or categories that these explanations can be organised into.

Potentially, other determinants of pay secrecy exist which future research might investigate. New research might, for example, examine the influence of institutional pressures on the choice and implementation of pay secrecy. Little is known about the role that external environments - especially the actions of competitors - play in pay secrecy policies and how normative, coercive or mimetic pressures affect the development of subsequent pay secrecy practices. Future research might for instance, investigate the degree to which organisations adopt pay secrecy policies to mimic their competitors rather than in response to organisational-specific circumstances.

Future studies may also wish to investigate the relationship between pay secrecy and organisational performance. Management scholars argue that organisations who communication openly with employees achieve positive organisational outcomes. Long-Sheng et al. (2012) contends that transparency reduces industrial relations disputes and unethical behaviour which leads to better relations between management and employees. In particular, transparency about human resource information is believed to encourage understanding between managers and employees that improves organisations' performance (Meyer, Becker, & Vandenberghe, 2004 in Long-Sheng et al., 2012). These claims mirror some of the intended goals of the transparent organisation in Study Two. It would be useful to know if pay transparency produces these predicted effects.

A strength of this study was that it investigated pay secrecy practices in the real-life contexts of organisations. But the field samples comprised only private-sector organisations which, by their nature, are driven to maximise profits for shareholders and investors. Replication of this research may produce different results in other settings such as government and non-profit organisations which are driven to serve the public interest rather than to seek private or financial gain. Similarly, researchers might explore the topic by directly comparing the experiences of transparent organisations in the private sector –

where organisations are free to choose – with the experiences of transparent organisations in the public sector – where organisations are often required to be transparent.

Researchers might also explore the same research questions in different cultures. Prior studies suggest that national cultures affect organisational practices and behaviour (for example, Dorfman & Howell, 1988; Nazarian, Irani, & Ali, 2013). It would also be useful to understand how culture impacts pay secrecy practices. Attitudes towards money and norms in relation to sharing pay information are shown to vary across cultures (Henchoz, Coste, & Wernli, 2019; Trachtman, 1999). These patterns are likely to influence the pay secrecy and pay transparency practices adopted by organisations in different countries.

This research indicates that organisations use a range of measures to signal pay secrecy to employees. It reported that organisations use employment contracts to enforce pay secrecy but that they also rely on observable managerial behaviour, practices and expressed values to signal pay secrecy expectations to employees. However, the extent to which different pay secrecy signals deter or encourage pay disclosures sits outside the scope of this study as it relies upon the knowledge and perceptions of employees. Future research might examine how employees respond to, and interpret different pay secrecy measures. New studies might, for example, measure employees' pay disclosing intentions before and after organisational pay signals are sent. Testing the effects of different signalling strategies might have implications for how organisations implement pay secrecy and more generally, how they cultivate desirable employee behaviours.

Similarly, this research focused on identifying different types of signalling methods used by organisations and managers to communicate pay secrecy policies. It did not examine or report the specific pay secrecy messages sent to employees via these signalling methods. Future research might examine the content of pay secrecy signals and explore the relative effectiveness of specific pay secrecy messages in shaping the pay disclosure behaviour of employees.

Findings from both studies indicate that organisational decisions to implement pay secrecy and pay transparency are partially motivated by desires to change the behaviour and attitudes of employees. While some of these intended effects have already been studied, others remain empirically untested. Of note, findings from Study Two suggest that pay transparency creates cultures of openness that strengthen employees' trust in management. But this finding might be because the study sought the perspectives of organisational agents like managers and HR practitioners. New research incorporating the perspectives of employees would further improve our understanding of the relationship between trust and pay transparency. This new research might also test how different pay secrecy measures affect the trust of employees. Empirical research from other perspectives remains scarce and studies that have explored the effects of transparency in other institutional settings raise some doubt. Transparency in government, for example, produces only small positive effects on the trust of citizens (de Fine Licht, 2011; Grimmelikhuijsen, 2012; Tolbert & Mossberger, 2006).

This research might also lead researchers to approach the relationship between pay and candidate attraction in different ways. Findings from Study Two revealed how one organisation is using pay transparency to differentiate itself from its competitors and build a positive employer brand. This strategy is relatively novel since traditionally, organisations use pay to attract candidates with little or no attention paid to the systems, models and processes that go with them. New research might explore the effects of using pay transparency and more generally, features of pay systems, to attract and retain quality employees.

This research, and other studies before it, focus on how organisations control pay information. However, employees now have increasing access to alternative, independent sources of pay information, especially through information sharing websites (such as PayScale and GlassDoor). This has likely reduced the ability of organisations to control the flow of pay information through formal pay secrecy policies and practices. Future research might examine how these new sources of pay information change the way organisations manage pay secrecy in the workplace as well as their impact on organisational pay disclosure decisions more generally.

Findings from the current research also create new avenues for scholars interested in signalling research. Evidence from this research suggests that organisational pay information disclosures can misrepresent the realities of pay decision outcomes. Future research might explore whether organisations intentionally send deceptive or false signals about pay to employees. It has been suggested by researchers in other fields that optimal signalling might involve a mix of honest and dishonest signals (Axelrod & Hamilton, 1981). The findings in the present research indicate that organisations disclose pay process information that implies rigor even through – in reality - pay determination might not produce defensible pay outcomes.

Finally, future research into signalling theory should take in account the subjectivity inherent in signalling decision-making. Previous research assumes that decisions to signal are founded on rational choice – being that signallers act in their own best interests. However, this research suggests that people can abandon the "rational actor" model (Simon, 1955) favoured in economic theory when making signalling choices. It is shown that managerial decision-making relating to pay secrecy can be experience-based or influenced by internal belief systems (such as personal values) that lead to subjectivity in pay signalling decisions. This role that cognitive bias can play in signalling decisions needs further exploration.

Conclusion

The practice of withholding pay information from employees is common (Belogolovsky & Bamberger, 2014; Bierman & Gely, 2004; Colella et al., 2007; Sobeck & Breunig, 2018). This thesis presented new research into pay secrecy by bringing together findings from two qualitative studies. Much of the pay secrecy literature takes a one-sided view by focusing on how secrecy affects employee behaviour. A smaller body of research also examines the effects of pay secrecy policies on pay allocations. Responding to current research and methodological gaps, the studies presented here investigated first, why organisations pursue different pay secrecy strategies, and second, how they operationalise these strategies in their workplaces.

The findings support signalling theory which provides an explanation of how organisations communicate unobservable information under conditions of asymmetrical information. In this research, it was reported that organisations make strategically-motivated decisions to disclose or withhold pay information from employees. As predicted by signalling theory, decisions about which pay information to disclosure depend on how employees are predicted to respond to pay information. A key factor emerging from the data was that organisations consider the likely reactions of employees when making decisions to signal pay information. In exploring organisational pay secrecy practices, this research also identifies that organisations send signals to employees about themselves and their pay decisions through their pay secrecy policies and the associated behaviour of management.

Rapid developments in technology combined with cultural shifts in information sharing are reshaping employees' preferences for transparency and authenticity in organisational communication. Many companies today are providing considerable amounts of information to employees about the planning and business sides of their activities (Kynaston Reeves, 1980). Additionally, pay reporting requirements for executives of listed companies have been in force for several years. A growing number of people believe that employees have a right to pay information and view organisational pay transparency as a safeguard against employment discrimination and inequity (Smit & Montag-Smit, 2019). However, despite pressure to be more transparent, many organisations have resisted relaxing pay secrecy rules.

Researchers are only beginning to understand the effects of varying levels of pay secrecy on organisations, managers and employees. As Edward Lawler III observed: "there really hasn't been a definitive series of research studies that say all you have to do is make public and you'll have a disaster or everything will get better" (as quoted in Workforce by Henneman, 2015). From a theoretical standpoint, the challenge is to develop a clearer picture of the conditions under which these policies work. From a practical standpoint, the question is how to apply these insights to deliver better organisational and employee outcomes. Colella et al. (2007) remarked "pay secrecy is not just a human resource issue".

It is also a social and economic one with far-reaching impacts. By providing new evidence, this research sheds new light on how and why organisations implement pay secrecy.

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APPENDIX A

Interview Protocol

INSTRUCTIONS

Introduction

Good morning (afternoon). My name is _________. Thank you for meeting with me today. The purpose of this interview is to get your perceptions about pay communication and pay decision making. My research project focuses on understanding the effects of pay secrecy and pay transparency, and whether these policies impact the way managers make pay decisions. This study does not aim to evaluate you or your organisation's behaviour, views or experiences. Rather, I'm trying to learn more about the operation, objectives and outcomes of pay secrecy and pay transparency policies, and hopefully learn how pay communication practices can improve pay decision making.

There are no right or wrong answers during this interview. Please feel comfortable saying what you really think and feel.

This interview is planned to last for one hour. There are several questions that I'd like to cover during this time. If time runs short, I may need to interrupt you in order to push ahead.

Recording Instructions

If it's okay with you, I'd like to audio record our conversation. This will help me capture all your comments but still carry on a conversation with you. All your comments will remain confidential. Only researchers on the project will have access to the recording which will eventually be destroyed once it's transcribed. All research will be compiled into a research report without any reference to individuals or comments attributed to particular individuals.

Consent Form Instructions

Before we begin, please take a few minutes to read this consent form and sign it if you'd like to proceed. This form satisfies our ethics requirements. Essentially, it states that:

(1) All information will be held confidential;

(2) Your participation is voluntary and you can stop at any time if you feel uncomfortable; and

(3) We do not intend to inflict any harm.

(The interviewee receives, reads and signs the consent form. Once the form is signed, BEGIN RECORDING.)

INTERVIEW QUESTIONS

Background Information

a) What is your name?
b) What is your job title?
c) What primary functions does your job involve?
d) How long have you worked at this organisation?
e) How many direct reports do you have?
f) How are you involved in decisions around pay for new employees? Are you involved in pay negotiations?
g) Approximately how long have you been involved in making pay decisions for employees?

Pay Communication Policies

I'd like to begin by asking you about pay communication in your organisation. I'd like to understand what pay information is shared with employees.

For a given employee, does your organisation disclose to other employees, his or her…

a) Actual total pay?
b) Pay range?
c) Pay grade?
d) Absolute pay increase?
e) Percentage of pay increase?
f) Entitlement to non-momentary benefits?
g) Pay policy?
h) Procedures for how pay decisions were made?

Did the company educate employees about how pay decisions were made by managers?
How did the organisation communicate information about pay to employees?
When did the organisation communication information about pay to employees?
Are employees prohibited from discussing their pay with each other?

Yes ↓ **No** → Go to next set of questions

Can you tell me about this policy?

PROBE:

a) Were you with this organisation when it was introduced?
b) Did you support its introduction?
c) Why was it introduced?
d) What were the consequences for employees? Penalties?

<u>Pay Communication Implementation</u>

How was the policy communicated?

How did the organisation communicate to employees that pay was to be kept secret?

PROBES:

a) Was pay secrecy documented in a formal policy?
b) Were there verbal instructions given to employee to keep pay secret? (ask for examples)
c) Were there written instructions given to employees to keep pay secret? (ask for examples)
d) What types of behaviours did managers demonstrate? (ask for examples)
e) Were there other ways that the organisation used to communicate pay secrecy expectations to employees? (ask for examples)
f) Which of these were most effective? Why?

<u>Benefits and Costs of Pay Communication</u>

Strategic rationale for pay communication policy

a) What is the rationale for your organisation's PS/PT policy?
b) Can you identify any advantages/disadvantages of keeping pay secret from employees?
c) What other factors contribute to pay secrecy in your organisation?
    - Culture? Industry Practices? Competition? Legal?

Manager preference for secrecy or transparency

a) Based on your experience with managers, do you think that managers prefer to make secret or transparent pay decisions? Why?

<u>Perceptions of pay communication outcomes.</u>

Effectiveness of the policy

a) How effective do you think the policy was in maintaining secrecy around pay?
b) How was manager compliance in relation to pay secrecy?
c) Based on your experience, did the policy achieve its objectives?
d) Does pay secrecy dampen employees' interest in their co-workers pay?

The Effect of Pay Communication on Pay Increase Decisions

As a manager, do you prefer your pay decisions to be secret or transparent? Why? Why not?

PROBES:

a) How do you think members of your team would behave if they knew everyone else's pay?
b) Does the team composition or type of work that employees do effect how they might react to information about colleagues' pay?
c) Can you think of any problems or challenges that this situation may present for you?
d) What types of backlash do you think ***you as the manager*** might potentially experience?
e) Can you think of any negative consequences for other ***team members***?

Gender Equity

a) How do you think pay secrecy effects gender equity in pay?
b) Research shows that male university graduates are paid higher starting salaries than female graduates. Do you think this situation would change if pay decisions were [secret/transparent]? If yes, in what way?

The Effect of Pay Communication on Salary Negotiations

Are you involved in negotiating salaries with employees?

Yes ↓ **No** → Go to next set of questions

PROBES:

a) How are you involved in salary negotiations (for example with a new hire or subordinate asking for a pay increase)?
b) Are you involved in approving negotiated salaries?

c) How much discretion do you have in negotiating salaries with new hires or subordinates?
d) What factors do you consider when negotiating a salary with a subordinate or new hire?
e) Is anyone else is involved in this process?

Based on your experience, how does pay secrecy effect salary negotiations with employees?

a) What are the benefits/costs of pay secrecy in relation to salary negotiations?
b) What factors would you need to take into account if the negotiated salary was shared with your existing team?
c) How important is a candidate's or employee's behaviour or actions in determining their salary during a salary negotiation?
d) Do you think this would change depending on whether the salary decision is secret or transparent to the rest of the team?

Benefits & Costs of Pay Communication for Employees

As well as being a manager, you're also an employee. From an employee's perspective, do you think pay decisions should be kept secret?

PROBES:

a) Can you identify any benefits or advantages of keeping pay secret as an employee?
b) What are the disadvantages as an employee?

Would you prefer to work in an organisation where there is pay secrecy or pay transparency? Why?

<u>Additional Questions (if time permits)</u>

Experiments – Manager behaviour

Experiments show that individuals divide pay among workers based on performance when pay is secret but not when pay is transparent. When pay is transparent, they ignore performance and allocate rewards equally among workers. Based on your own observations and experience, why do you think this happens?

PROBES:

a) What factors might explain the change in behaviour?
b) What factors do you think managers take into account when their pay decisions are transparent?
c) Why do you think managers would be motivated to allocate pay equally when pay is transparent?

Additional Optional Questions

a) Have you ever worked under a policy pay transparency in previous roles/organisations? If yes, can you describe how your experience was different?
b) Do you think employees prefer to be paid equally (i.e. the same amount as their colleagues) or do you think they prefer to be paid based on their performance? Why?

    PROBE: Do you think equality is more or less important depending on the composition of the work team?

<u>Concluding Questions</u>

Do you have any final comments or views you'd like to share before we finish up?

<u>DEBRIEFING</u>

Thank you very much for your participation this morning (afternoon). Your time is appreciated and your comments have been very helpful.

Again, the purpose of this interview was to better understand how policies of pay secrecy and pay transparency effect managers' decisions about employee's pay. You will be kept anonymous during all phases of this study including any experimental writings, both published and unpublished.

Is there any information regarding your experience today that you think would be useful for me to know?

Again, thank you for your time. *(STOP RECORDING)*

APPENDIX B

NVIVO Coding Sample

3.0 Why do organisations implement pay secrecy	39	661
3.1 Employee-centred explanations	39	333
3.1.1 Emotions	33	81
3.1.2 Behaviour	26	64
3.1.3 Objectivity	20	36
3.1.4 Comprehension	23	32
3.1.5 Acceptance	31	74
3.1.6 Preferences	20	32
3.1.7 Other	10	14
3.2 Manager-centred explanations	35	145
3.2.1 Competency	18	41
3.2.2 Conflict Avoidance, Relationship Mgt and Employee Control	32	75
3.2.3 Resourcing and Diversion of Attention	8	11
3.2.4 Strategic Relevancy	7	9
3.2.5 Paternalism	3	5
3.2.6 Other	4	4
3.3 Organisation-centred explanations	36	183
3.3.1 Cost control	23	35
3.3.2 Competitiveness - pay negotiating power and labour market compe	11	14
3.3.3 Flexibility	13	31
3.3.4 Systems and Performance Management	13	19
3.3.5 Administrative Legacy	8	11
3.3.6 Organisational size and complexity	3	3
3.3.6 Performance Recognition Practices	5	6
3.3.7 Organisational culture and norms	16	23
3.3.8 Pay Outcomes	18	37
3.3.9 Other	4	4

Figure A1. Exert from NVivo

APPENDIX C

Sample Field Note

Table A1 *Sample of field note taken during a visit to a case study organisation*

Field Note: Observations during an onsite interview	
Item	Notes
Reference Number	OpenCo_5_24.05.2018
Date	24.05.2018
Location	Open Co's Head Office, Bourke Street Melbourne
Event	Participant Interview
Participant/s	CEO
General Observation about participant	Talks about pay transparency with animation and enthusiasm. Uses many positive words to describe the experience at the company.
Notes	*Refer to interview transcript CEO_02_24.05.2018* Additional Written Notes: • Pay secrecy is part of the organisation's overall principle of transparency. • Transparency is a fundamental and central value of the organisation's management team. • It is apparent across all functions of the business • Transparency is a fundamental component of building a trusting relationship – any relationship – not just the workplace. • Org currently has six key values. A strawman test in a recent meeting indicated that employees don't remember all values but do consistently remember transparency. • Transparency is a proxy for accountability. Managers are held to account and therefore there is greater emphasis on providing defensible decisions • Transparency is fundamental to the organisation developing a culture of open communication between management and employees. • Employees are comfortable providing direct feedback without political concerns

	• Cogent has an internal PT policy. It does not share pay data outside the organisation. It does not publish its pay data on any external website or boards. • All policies are on a wiki page (an editing/publishing board). • Policies are always evolving. This gives the organisation its flexibility. • It can take employees about 6 months to fully adapt to the culture of transparency.
Sample Field Note	• Meeting conducted at meeting table in open plan office • Open office design – long rows – employees and managers working beside each other. CEO and Operations manager sitting beside engineers and designers • Lots of plants, minimal office design • Casual, informal, wear • Friendly – appears to be a collegiate environment • Screens showing production stats along one wall.
Sample Field Note	Reasonably quiet Appears to be collegiate and friendly.

APPENDIX D

Consent Form

THE UNIVERSITY OF
MELBOURNE

Department of Management and Marketing

Consent form for persons participating in a research project

PROJECT TITLE: **Pay Communication: An organisational perspective**

Name of participant:

Name of investigator(s): Ms. Leanne Griffin, Professor Michelle Brown and Professor Ian Williamson

1. I consent to participate in this project, the details of which have been explained to me, and I have been provided with a written plain language statement to keep.

2. I understand that after I sign and return this consent form it will be retained by the researcher.

3. I understand that my participation will involve an ***interview*** and I agree that the researcher may use the results as described in the plain language statement.

4. I acknowledge that:

   (a) the possible effects of participating in the ***interview*** have been explained to my satisfaction;

   (b) I have been informed that I am free to withdraw from the project at any time without explanation or prejudice and to withdraw any unprocessed data I have provided;

   (c) the project is for the purpose of research;

(d) I have been informed that the confidentiality of the information I provide will be safeguarded subject to any legal requirements;

(e) I have been informed that with my consent the ***interview will be audio-taped and I understand that audio-tapes*** will be stored at University of Melbourne and will be destroyed after five years;

(f) my name will be referred to by a pseudonym in any publications arising from the research;

(g) I have been informed that a copy of the research findings will be forwarded to me, should I agree to this.

I consent to this ***interview*** being audio-taped □ **yes** □ **no**

(please tick)

I wish to receive a copy of the summary project report on research findings □ **yes** □ **no**

(please tick)

Participant signature: Date:

HREC 090001 Version 1

APPENDIX E

Plain Language Statement

THE UNIVERSITY OF MELBOURNE

"Pay Communication: An organisational perspective "

You are invited to participate in the above research project, which is being conducted by Professor Michelle Brown (supervisor), Professor Ian Williamson (supervisor) and Ms. Leanne Griffin (PhD student) of the Department of Management and Marketing at The University of Melbourne. This project will form part of Ms. Griffin's PhD thesis, and has been approved by the Human Research Ethics Committee.

The aim of this study is to investigate how organisations decide on the level and type of pay communication with employees and how managers make pay decisions based on the level of pay communication. Should you agree to participate, you would be asked to participate in an interview of about 60 minutes. With your permission, the interview would be tape-recorded so that we can ensure that we make an accurate record of what you say. When the tape has been transcribed, you would be provided with a copy of the transcript, so that you can verify that the information is correct and/or request deletions. We estimate that the time commitment required of you would not exceed 60 minutes.

We intend to protect your anonymity and the confidentiality of your responses to the fullest possible extent, within the limits of the law. Your name and contact details will be kept in a separate, password-protected computer file from any data that you supply. This will only be able to be linked to your responses by the researchers, for example, in order to know where to send your interview transcript for checking. The results of this study will be reported as group data only. All computer files will be accessible to the researchers only, and will be password protected. The interview data will be kept securely in the Department of Management and Marketing for five years from the date of publication, before being destroyed.

Once the PhD thesis, conference paper and journal article arising from this research has been completed, a brief summary of the findings will be available to you on application at the Department of Management and Marketing via an email address that will be provided to you. You will also be asked at the end of the interview if you would like to receive an emailed copy of this summary report. You will have an opportunity to self-select to receive the summary report at this point.

Please be advised that your participation in this study is completely voluntary. Should you wish to withdraw at any stage, or to withdraw any unprocessed data you have supplied, you are free to do so without prejudice. If you would like to participate, please indicate that you have read and understood this information by signing the accompanying consent form and returning it in the envelope provided. The researchers will then contact you to arrange a mutually convenient time for you to participate in the interview.

Should you require any further information, or have any concerns, please do not hesitate to contact the researchers; Professor Michelle Brown: brownm@unimelb.edu.au, Professor Ian Williamson: i.williamson@mbs.edu and Ms Leanne Griffin: lgriffin@student.unimelb.edu.au. Should you have any concerns about the conduct of the project, you are welcome to contact the Executive Officer, Human Research Ethics, The University of Melbourne, on ph: 8344 2073, or fax: 9347 6739.

HREC Project Number 1442524, Version 1.0, 17.07.14

APPENDIX F

Study One: Supplementary Themes

Pay secrecy signalling choices

The interview data shows that the basic pay secrecy framework adopted by organisations has remained remarkably stable. Pay secrecy practices have not, by all accounts, undergone substantive or practical change. The absence of legislation or regulatory requirements in relation to pay secrecy in Australia could arguably be considered as a core reason why pay secrecy policies and practices remain unchanged. In contrast, shifting legislative requirements to disclose executive pay directly led for many organisations to greater transparency in executive pay data. However, another view expressed by participants was that there was no business need to adopt greater transparency, making it unnecessary to alter a long-established policy approach. This has led to the prevalence of high pay secrecy among participating Australian private organisations.

Factors influencing the choice of pay secrecy signals

It is difficult to determine what method organisations employed to choose appropriate pay secrecy signals. However, data suggests that organisations are likely to consider the degree to which non-compliance is detected and can be observed, plus the costs of policing compliance. Organisations without the capacities and resources to formally administer a pay secrecy policy might emphasise signalling strategies, taking the form of managerial behaviour or process as an alternative to encourage employees to keep pay information secret.

APPENDIX G

Research Assumption and Delimitations

Assumptions

Several assumptions are inherent in the present study. To begin, data collection relied on the assumption that participants would be willing and able to provide an accurate and truthful self-reporting of their experiences and views. To encourage honest responses, the measures taken to protect confidentiality and anonymity were outlined to participants. Participants were also reminded that they could discontinue their participation whenever they wished to do so. Rapport was also developed with participants by the student researcher in order to facilitate open communication. To this end, the student researcher adopted a friendly and attentive manner during interviews. She also engaged in some initial small talk to put participants at ease.

Second, it was assumed that the data collection methods used in each study sufficiently captured and explored the phenomenon under investigation. In each research project, a pilot study was performed to determine whether the data collection strategy would sufficiently address and answer the research questions.

Third, it was assumed that it would be possible to sample sufficiently information-rich cases to answer the research questions. A purposive sampling (Parahoo, 2014), technique was used to select participants with the characteristics and experiences most likely to be able to provide high quality data. Thus, the research limited the selection of participants to HR practitioners and managers that were involved in organisational decisions to adopt and implement pay secrecy policies.

Fourth, it was assumed that the sample size provided 'data saturation', whereby increasing the sample size would not have revealed new information (Coyne, 1997) and sufficient data was collected to replicate the research (Walker, 2012). Study One involved 40 HR practitioners and managers representing 38 Australian organisations. Study Two included two case-study Australian organisations with contrasting pay secrecy policies and practices.

Delimitations

A number of decisions made by the researcher delimited the study in terms of its findings. These delimitations represent the boundaries of the study:

i. Some delimitations were based on the variability of participants' management experience and were beyond the control of this study. Participation was restricted to participants with managerial experience. However, the scope of their managerial experience varied and the participants were drawn from many industries and locations in Australia. This varied experience and background may have influenced their responses.

ii. The study design excluded the perspective of employees and so could not test the validity of managerial concerns about how employees would respond to pay decisions under different levels of pay secrecy.

iii. The literature review did not include an in-depth summary of research into the effects of pay secrecy which has been the subject of most research in the field to date. This study focuses on pay secrecy decisions and implementation by organisations. The literature review also omitted an in-depth summary of research into organisational secrecy. The literature review touches briefly on this by exploring the principles of organisational secrecy. However, it was beyond the scope of the present study to examine the numerous forms of secretive policies and behaviour that exist in organisations.