

PAY TRANSPARENCY FROM A YOUNG EMPLOYEE'S PERSPECTIVE IN POLAND

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***Abstract** Discussions concerning social aspects of sustainable development tend to focus increasingly more often on payroll policy transparency. Employees are reluctant to share information about the remuneration they pay. The reasons of such a policy include, first of all, concerns about privacy of the employees and their reluctance to share this information with others. Talks about pay are still taboo in plenty of developed economies around the world, including Poland. However, pay openness and transparency becomes a more and more popular demand, especially among young employees (e.g. Day 2012; Scott & McMullen 2013). The research conducted among Polish employed students proved that expectations on this sphere of organizational policy are highly ranked in the hierarchy of needs.*

Keywords: Pay transparency, pay understanding, pay communication

JEL: D23, D84, M52

Introduction

There has been a growing interest in the policy of pay transparency in recent years. There are two reasons for this. The first is a result of action intended to reduce pay inequalities, and the second one is the willingness to improve recruitment processes in organizations.

While analyzing the situation of pay discrimination regarding sex, age or ethnic origin, it is believed that the transparency of payment systems is a key element in the implementation of the equal pay principle. The research in this field has contributed to understanding of the relationship between access to payroll information and the inequality of pay (e.g. Card et al. 2012; Cruces, Perez-Truglia, and Tetaz 2013; Kuziemko et al. 2013; Karadja, Mollerstrom, and Seim 2014).

Concealment of pay by employers renders them impossible to compare and thus does not contribute to the principle of equal and fair pay for employees.

It is worth mentioning here the example of Denmark, where a certain law (**EqualPayAct**) was introduced, obliging companies (with more than 35 employees and at least ten full-time employees) to publish payroll statistics with information on co-workers gender. Research has shown that the gender pay gap has narrowed by about two percentage points, i.e. by 7% compared to the average before the legislation came into force (Bennedsen et al. 2019)

The result is clear: the transparency reduced the pay inequalities. Women who worked in the organizations which the new act forced to transparency, were given much higher pay rises than the women, who were employed in those enterprises that did not need to publish any payroll statistics. Interestingly, the law has not only benefited women, but also men. Also the remuneration of male staff raised in the organizations covered by the act (Aumayr-Pintar2018).

Despite the fact that Poland is a country of a relatively low level of gender-related pay inequalities, this phenomenon is still present in majority of organizations. According to pracuj.pl, the gender pay gap in Poland in 2017 amounted to as much as 16% in some organizations.

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Understanding the benefits from the introduction of transparency to determination of pay impacts the shape of personnel policy in an organization (Mas 2014).

It is believed that dissemination of information on pay level may accelerate and streamline the recruitment process. A clearly provided information about the level of earnings on a given position narrows down the applications submitted to the organization to those candidates who agree to particular pay conditions. Furthermore, the employers may talk only to the specialists, whose financial expectations can be met. This is particularly important in a situation where the most common reason for a candidate's rejection of the final offer of employment is too low earnings. (<https://hrpolska.pl/rynek-pracy/czytelnia/-9.html>).

In Poland, job advertisements with pay spread are still rare, and information about pay is treated confidential. However, observations of the labor market show some changes, and this is not a surprise in the context of a current labor market. Persons reading recruitment advertisements expect information about pay already at the level of selection, so they can determine whether it is worth getting involved in a given recruitment process. Direct communication of pay information would have positive impact on recruitment effectiveness and allow the candidates to make informed choices. However, the obligation to publish information about the height of remuneration in a job advertisement raises some doubts in employers, who emphasize that they would like to have a possibility to consider the benefits and risks that are associated with pay transparency in their particular case.

In the Polish culture, the level of earnings is still considered taboo, and professional work is related to the secret of remuneration. However, there are strong indications that the closest years will bring about a breakthrough in this sphere. As research results suggests, representatives of the new generation who start their professional journey have different expectations. Transparency and flexibility are ranked high for them, and the employers will need to adjust their strategy to new employees' preferences.

Data Collection and Analysis

The research was carried out in October and November 2018 on a randomly selected group of 101 extramural students of the Faculty of Economics of the University of Gdańsk. The survey questionnaire included the 5-point Likert scale (from "I totally disagree" to "totally agree"). To increase the sense of anonymity among respondents, the research was carried out with a web sheet (Google Survey). 80 fully completed survey questionnaires were received. The respondents represented various organizations.

The group was balanced in terms of gender (men accounted for 46% and women for 54%). When it comes to age, the respondents were divided into two groups, up to 25 years old (49%) and between 25 and 40 (51%). The exact demographic data of the respondents are given in Table 1.

Table 1

Demographic Information

	Poland (n = 80)
Gender:	
Male	37
Female	43
Age:	
Less than 25 years old	39
25 to less than 40 years old	41
40 to less than 55 years old	-
55 to less than 70 years old	-
Over 70 years old	-

Level of education:	
Less than a high school degree	0
High school	6
College	55
University	19

The survey questionnaire was composed of questions grouped into sets corresponding to the researched spheres.

They were related to among other such issues as how information about pay is communicated in an organization, the level of payroll policy transparency and personal preferences considering this notions or understanding of the principles that determine them.

While taking up the analyses, it was verified how distributions of quantitative variables look like. Basic descriptive statistics and the Shapiro-Wilk test - checking the normality of distribution - were carried out for this purpose. Test results suggest that the distributions of most of the variables are statistically significantly different from the normal distribution. However, referring to the principles of not exceeding the absolute skewness of 1, it can be assumed that distributions of almost all variables are not significantly asymmetric, and thus it is right to conduct parametric tests. The calculated coefficients are given in Table 2 (in the appendix). The test reliability index (or coefficient alpha) for each researched area was from 0.8 to 0.95.

Findings

Pay Communications

This coefficient presents the scope, which the employers reveal information about pay in, such as payroll rules and procedures, scope of remuneration, criteria for raises, etc.).

Data regarding this notion suggest that the respondents are not convinced that an organization they work in informs them about all aspects of the payroll policy (overall mean score = 2.96). However, in the case of this question “My employer communicates pay issues of concern to me”, as many as 66% of those surveyed said they agreed with this statement. Also, when asked whether the employer answers questions about factors that determine the respondent’s pay (My employer answers questions about how my pay is determined), nearly 52.5% answered yes.

The lowest positive response rate was obtained at the following question: “My employer publicizes or will tell me if I ask for the pay ranges for jobs within the department or business unit”. In this case, more than 68.7% of respondents disagreed with the statement.

This means that pay conditions communications is conducted in an individual arrangement, and it does not go beyond the framework of notions strictly related to the individual’s role and position. While there is no access to payroll information in the public sphere. (α Cronbach 0.867)

Pay Transparency

Another notion was to research the sense of pay transparency. This coefficient indicates the degree to which the work environment culture affects openness towards information on earnings. Do the employees feel comfortable sharing such information with others?

The results showed that the respondents have mixed feelings as to this notion. 45% of respondents agreed with the following statement: “How people are paid is a secret where I work”. It was similar with this statement: “There are strong norms where I work about not discussing how much one is paid with other employees” 41% agreed and 29% had no opinion. However, only 19% of respondents believe they would be punished if they spread such information among employees.

This suggests that evaluation on the level of payroll transparency is low in organizations. (α Cronbach 0.804)

Pay Transparency Preferences

This indicator is used to analyze the scope of information about pay which the employees would like to share with other employees. In this group of statements, the most common answer was Neither Agree nor Disagree. For example, in the case of the following statement: "Information on my base salary rates should be kept secret", 31% of respondents agreed and 37.5% disagreed. It was similar with "Other employees should not know how much I am paid", where 30% had no clear preference and 36% disagreed.

Data obtained in this research suggest that for majority of respondents, publication of information about their pay is not of fundamental significance.

(α Cronbach 0.832)

Pay Understanding

The statements provided herein refer to evaluation of understanding of the remuneration principles applicable in an organization. Almost 69% agreed with the following statement: "I understand how my base-salary or wage is determined", and only 12% disagreed. Similar results were obtained for "I understand how my bonuses are determined", where 16% did not support this statement and 47.5% totally agreed with it. Only slightly greater differences were obtained for the statement about the principles that govern pay raises. Only 18.7% disagreed, and 52.5% agreed with "I understand how my pay raises are determined". It means that almost half of the respondents had some knowledge about the payroll shaping policy in an organization.

(α Cronbach 0.843)

After analysis of correlations among the researched indicators, we may observe a positive relationships between pay communications and the remaining spheres. It also refers to pay transparency. However, when it comes to pay transparency preferences, there was a negative correlation recorded in relation to pay understanding. Men scored pay transparency preferences lower than women. Employee age was negatively related to pay communication, perceptions of pay transparency, pay transparency preferences, and pay understanding. And in the case of the educational level of respondents, there no significant relations with the researched indicators were recorded.

Conclusions

A generation of so-called Millennials has entered the labor market recently. It is high time for change in organizations (in particular those that employ many young workers). A change in both the management and payroll systems. As the research results show, representatives of a young generation expect greater payroll transparency and clear systems of staff policy. It is no longer their priority to keep the payroll information in secret. In return, they expect certain benefits in a form of the possibility of comparing the amount remuneration with the contribution of work or involvement in the organizational development. While performing these analyses, they increasingly more often go beyond the sphere of their organizations, which increases the risk of personnel outflow to another company. The transformations that take place in relationships between an employee and an employer, demography of employees and availability of pay information on the Internet require an analysis of management attitudes towards pay communication and transparency. It is worth noticing in this context that organizations are paying more attention to communication. This trend consists not only in informing employees about the level of their remunerations, but also on presentation of market data, company's strategy and its payroll policy. The aim is to achieve the highest payroll system transparency possible. Employers noticed that the most involved are those persons with full knowledge on the principles of determining and calculating wages.

Taking into account the potential benefits and hazards related to sharing the information, it seems a significant notion to determine the amounts and contents of that information.

The conducted research suggests that the employees' preferences on pay transparency are varied. Furthermore, plenty of employees believe that their employers share the information on pay. The above-mentioned preferences on pay transparency were not related to any qualities of employees, except for age. Negative correlations that emerged in this system are not surprising if we consider the willingness of younger employees to share information.

Regarding the age diversity among employees in numerous organizations, it should be assumed that an optimum solution for this issue would be to keep the level of individual earnings in secret, and at the same time widely disseminate information about payroll policy. As such, the employees would gain complete knowledge both on the payroll structure and possibilities for remuneration raise.

Considering further research in this scope, it seems necessary to analyze the employee appraisals regarding fair distribution of benefits and loyalty towards organization.

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Appendix

Table 1.

Basic descriptive statistics together with the test of normal distribution

	<i>M</i>	<i>Mdn</i>	<i>SD</i>	<i>Sk.</i>	<i>Kurt.</i>	<i>Min</i>	<i>Maks</i>	<i>S-W</i>	<i>p</i>
Pay Communications	2.96	2.86	0.98	0.26	-0.77	1.29	5.00	0.97	0.047
PayTransparency	2.98	3.00	0.96	0.02	-0.29	1.00	5.00	0.98	0.127
PayTransparencyPreferences	2.98	3.00	1.05	-0.06	-0.66	1.00	5.00	0.97	0.067
PayUnderstanding	3.45	3.50	0.92	-0.28	-0.25	1.33	5.00	0.97	0.033

M – Mean; Mdn – median; SD – standard deviation; Sk. –skewness; Kurt. –kurtozis; Min. iMaks.; S-W –test Shapiro-Wilk; p – weight

Table 2.

Means, Standard Deviations, and Correlation Matrix

Variable	1	2	3	4	5	6	7
1. Pay Communications	-						
2. Pay Transparency	.57**	-					
3. Pay Transparency Preferences	.07	.10	-				
4. Pay Understanding	.67**	.55**	-.03	-			
5. Gender	.26*	.19	-.02	.24*	-		
6. Age	-.27**	-.31**	-.01	-.30**	-.30**	-	
7. Education Level	-.09	-.05	-.11	-.15	-.01	-.13	-

* = $p < .01$, ** = $p < .05$