Rebecca Himelfarb
November 22, 2022
Business Ethics

An argument for Pay Transparency

The article, “Pay Transparency Is The Solution To The Pay Gap: Here’s One Company’s Success Story”, was written by Kim Elsesser, an expert in various bias problems in the workplace. The author provides convincing arguments as to why pay transparency is beneficial to both a company and its employees. Some premises that promote her arguments are as follows:

1. Employees are largely in favor of pay transparency.
    a. Employees prefer their employer to be more open and honest about their salary.
    b. If pay is not transparent, higher salaries could be awarded to employees 1) who are more aggressive in their negotiations, 2) who threaten to quit if their salary is not to their satisfaction, and 3) who have closer relations to their boss. In these types of cases the criteria used to determine salaries is not based upon fair measures.
    c. When pay is transparent, each employee’s salary has to be justified, limiting bias in decisions regarding how much to pay various employees.
2. In determining an employee’s salary, a company should use objective measures of performance.
    a. By using objective data, companies can provide their employees with rational explanations for any differences in their pay.
    b. Objective measures of determining pay should include the scope of the employee's job and the market value of their position, such that an employee with more responsibility receives greater pay.
3. Pay transparency helps attract a more diverse workforce.
    a. Employees would prefer to work for a company that can demonstrate that the company truly encourages diversity.
4. Pay transparency motivates employees to achieve their goals.
    a. When employees have a clear understanding of how they can advance their position within the company, they are motivated to work harder.
    b. Employees are encouraged to set and achieve goals, resulting in motivated employees who have an incentive to succeed.
5. Pay transparency makes the hiring process streamlined for both employers and employees.
    a. Without having to negotiate salaries, the hiring process is easier for both parties.
6. Pay transparency is a realistic solution for the gender pay gap.
    a. When a woman finds out that a man with the same job is being paid more money, the pay gap issue will be self-corrected.

b. Female employees who negotiate for higher pay are seen by their employers as too aggressive and may be penalized for their behavior.

Therefore,

Businesses should have pay transparency, as it creates many positive implications to the business and the employees.

Argument Evaluation

According to Govier's "A" (acceptability) conditions, Elsesser's article regarding the advantages of pay transparency present strong evidence in favor of her claims. Listed as premise 2 above, Elsesser asserts that in determining an employee's salary, a company should be using objective measures of performance. By using these factors, companies should be able to disclose their employees' salaries with confidence, since the company should be able to justify the salary of any employee. By making employee salaries transparent, companies are forced to determine salaries based upon permissible factors, such as: seniority, a merit system, quantity or quality of production, geographic location, travel and relevant education, training or experience. Pay transparency doesn't have to involve creating a spreadsheet with employees' salaries listed, rather the disclosure of salaries can take many different forms. For example, PayScale, is a compensation software company that helps employers manage employee compensation and employees understand their worth in the job market, by setting salaries at a level that is fair, consistent, and positive relative to the market. Higher transparency levels include sharing pay ranges for each role and sharing insight into how salaries are calculated, supporting the sub-argument 'a' in the second premise, that companies can provide employees with rational explanations for any differences in their pay. The author makes a strong argument that by publicizing salaries that are based on an objective framework, it is less likely that biases will impact salaries which will ultimately lead to more inclusive workplaces, further discussed in premises 3 and 6 above.

In premise 3, Elsesser argues that pay transparency helps to attract a more diverse workforce. An article titled, "Moment of Reckoning: New Laws Are Forcing Employers to Share Salary Details With Applicants" reported that studies show that, "in 2020, women were paid just 83 cents for every dollar to a man. The racial pay gap is wider still. Last year, Black men earned 75 percent of what white men did, and Black women earned less than 64 percent". Employees, especially those who are members of a minority, would prefer to work for a company that engages in and publicizes pay equality regardless of gender, race, and demographic categories, among other factors. When employee salaries become public, it becomes more difficult for employers to hide this type of discriminaion, making any pay gap issue self-corrected, as stated in premise 6.

According to Goveir's 'G' (grounding) conditions, Elsesser article provides a strong argument in favor of pay transparency, however, there are some portions of her argument that neglect to address the detriments of pay transparency. For example, in premise 4, Elsesser asserts

that pay transparency motivates employees to achieve their goals. While there may be some truth to this statement, there are many ways in which pay transparency can have the opposite effect. In fact, the *Harvard Business Review* found that company culture, particularly collectivist work culture, may be negatively influenced by pay transparency. An environment in which employees are conscious of how much their colleagues are being paid can result in negative or competitive feelings towards one another, which may disrupt collaboration and destroy trust. Pay transparency can be a double-edged sword because broadcasting an employee's pay can be just as likely to demoralize or cause negative emotions as to motivate an employee to work harder or increase productivity. Further, if employees salaries are compared to one another, an employee might be less likely to act in the best interests of the company, rather they would only work harder if they received a personal benefit.

Premise 1 above states that employees are largely in favor of pay transparency. An employer or an employee might claim to prefer pay transparency, when in reality, the employee or the company might disagree with having their pay publicized, depending on the exact circumstance. According to a survey conducted by *resumebuilder.com,* when employees find out they are being paid less than their co-workers, 4 percent say they would quit, 9 percent claim they would take legal action, and 63 percent asserted that they would demand a raise that gives them equal pay. In addition, the survey revealed that 63 percent of employees worry that salary transparency will cause problems among co-workers, resulting in a negative culture in the workplace. In many cases, it has been found that pay transparency can result in envy and perception of inequity among employees which may ultimately trigger higher turnover. When the best employees are made aware of where they are in relation to other employees on the pay scale, the employees who are being paid less than others will leave for firms that reward performance and recognize ability. An employee may want to know what other employees are making but when they suddenly discover through pay transparency that they are being underpaid they will become more dissatisfied with the employer and more likely to depart.

Throughout the article, Elsesser is making a strong claim that pay transparency will eliminate wage gaps, as stated in premise 6. It seems that many states agree with her position, as pay transparency is now becoming a legal requirement in many states. For example, California, Connecticut, Maryland, Nevada, Rhode Island already have laws put in place that require some transparency by disclosing salary ranges either at an applicant's request or at a specific juncture in the application and interview process. These governments believe that even some pay transparency will be an effective measure to limit wage gaps or wage discrimination. Even many private companies believe that there should be some form of pay transparency. In fact, Microsoft announced it would begin publicly disclosing salary ranges for both internal and external job postings no later than January, 2023. While providing pay transparency is a strong effort towards eliminating wage gaps and discrimination, many believe that pay transparency can not be the sole solution for this problem. Pay transparency is a good starting point, as it may lead to the recognition of pay inequalities, however, there is not enough evidence to demonstrate that

inequalities in pay will be eliminated by pay transparency. Elsesser's argument in favor of pay transparency would be more effective if her article stated that pay transparency would *narrow* pay gaps, rather than claiming the problem would be eliminated.

Sources

Elsesser, Kim. “Pay Transparency Is the Solution to the Pay Gap: Here's One Company's Success Story.” *Forbes*, Forbes Magazine, 9 Sept. 2018, https://www.forbes.com/sites/kimelsesser/2018/09/05/pay-transparency-is-the-solution-to-the-pay-gap-heres-one-companys-success-story/?sh=c35479850100.

Jdickler. “New York City Helps Kick off 'Wave of Pay Transparency Legislation' as Workers Demand Full Salary Disclosure.” *CNBC*, CNBC, 26 Oct. 2022, https://www.cnbc.com/2022/10/26/workers-overwhelmingly-support-pay-transparency.html.

“'Moment of Reckoning:' New Laws Are Forcing Employers to Share Salary Details with Applicants.” *Money*, https://money.com/pay-transparency-laws-employers-share-salaries/.

Obloj, Tomasz, and Daniel Brown. “Beware the Downsides of Pay Transparency.” *Australian Financial Review*, 10 Feb. 2020, https://www.afr.com/work-and-careers/workplace/beware-the-downsides-of-pay-transparency-20191028-p5351k.

“Pay Transparency: What It Is and How to Do It Right.” *Built In*, https://builtin.com/people-management/pay-transparency.

“Research: The Unintended Consequences of Pay Transparency.” *Harvard Business Review*, 12 Aug. 2022, https://hbr.org/2022/08/research-the-unintended-consequences-of-pay-transparency.

“1 In 20 Workers Will Quit If Transparency Laws Reveal They Are Paid Less than Co-Workers.” *ResumeBuilder.com*, 7 Nov. 2022, https://www.resumebuilder.com/1-in-20-workers-will-quit-if-transparency-laws-reveal-they-are-paid-less-than-co-workers/#:~:text=1%20in%2020%20workers%20will,co%2Dworkers%20%2D%20ResumeBuilder.com.