

Pay transparency, job turnover intentions and the mediating role of perceived organizational support and organizational justice

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Abstract

Purpose – Despite widespread media attention and growing interest from researchers, pay transparency remains an under-studied field of research and its impact on organizational outcomes like job turnover is not well understood. This study explores the impact of pay transparency on job turnover intentions through the mediating effect of perceived organizational support (POS) and organizational justice.

Design/methodology/approach – Data from quantitative surveys conducted with 299 employees at four South African organizations with different pay transparency practices were used to test the conceptual model of pay transparency impacting job turnover intentions through the mediators of POS and organizational justice.

Findings – The authors found a weak negative relationship between pay transparency and job turnover intentions and the role of the mediating variables was confirmed. Unexpectedly, the role of the organization emerged as a key variable. Controlling for organization type showed that the direct effect of pay transparency on turnover intentions became insignificant, indicating a stronger effect from organizational factors, of which pay transparency practices are just one.

Originality/value – Identifying a contextual (organizational) dimension to pay transparency practices extends the understanding of this concept and has implications for practice. The study also makes a methodological contribution by demonstrating the value of linking respondent data to a particular organization when researching pay transparency.

Keywords Pay transparency, Job turnover intentions, Perceived organizational support, Organizational justice, Pay secrecy

Paper type Research paper

Introduction

Pay transparency is a topic that has made headlines around the world, and interest in it appears to be growing among governments, legislators and shareholder activists, in academic research and, with employers and employees (Marasi and Bennett, 2016). Despite this attention across different spheres, complete pay transparency is not common. A recent survey showed that only 14% of companies offer moderate pay transparency (sharing how



pay is determined and pay ranges; Ritter and Fickess, 2020). However, in the same survey, 67% of companies said they viewed pay transparency as increasingly important.

In spite of the wide coverage in the popular press, the topic of pay transparency is relatively under-studied and the impact of pay transparency on organizational outcomes such as employee retention is still unclear (Alterman *et al.*, 2021; Marasi *et al.*, 2018). Employee retention has long been a concern for employers all over the world, because of the costs associated with reduced productivity, loss of organizational knowledge, recruitment of new employees and the investments in training them (Allen *et al.*, 2010; Lee *et al.*, 2017).

Research into the factors which predict or mitigate the risk of employee turnover is extensive and continues to be a focus area in academic literature (Hom *et al.*, 2017). Although compensation, which underpins the contractual relationship between an employer and an employee, may be expected to have a significant influence on turnover, the academic literature on this topic has tended to show that it has a limited to modest direct impact (Rubenstein *et al.*, 2018). Instead, factors like job satisfaction and organizational commitment have been shown to have stronger effects on turnover (Griffeth *et al.*, 2000), and there is some evidence that pay satisfaction can be an antecedent to both of these factors (Hofmans *et al.*, 2013; Singh and Loncar, 2010).

In fact, various models of a more indirect, mediated, impact of compensation-related factors on turnover have been investigated. For example, Williams *et al.* (2008) have argued that satisfaction with pay procedures impacts perceptions of organizational support which in turn reduces turnover. Griffeth *et al.*'s (2000) meta-analysis of turnover antecedents also found links between pay-related variables, perceptions of fair treatment and organizational support and, consequently with turnover and Scott *et al.* (2020) showed a negative correlation between perceptions of pay fairness and turnover. Such findings indicate the possibility that consideration of mediating factors like perceived organizational support and organizational justice would be useful in studies of pay transparency's impact on organizational outcomes like turnover.

While compensation features in research on turnover, it is definitely not the dominant factor (Sarkar, 2018). It is perhaps not surprising then that research on the impact of pay transparency on employee turnover is extremely limited (Alterman *et al.*, 2021). Prior research which shows a modest impact of pay-related antecedents on turnover may indicate that pay transparency is likely to have a similarly small effect, however research which confirms or refutes this hypothesis is lacking. Furthermore, while scholars have theorized about the benefits and risks associated with pay transparency (see for example, Colella *et al.*, 2007; Marasi and Bennett, 2016), to date, there is little empirical evidence to support these theories. A clearer understanding of the construct of pay transparency and its impact on organizational outcomes, like turnover, is necessary to close this gap.

In considering organizational-level outcomes, it is important to consider organizational-level inputs, as argued by Shaw *et al.* (1998) in their organizational-level analysis of turnover. Indeed, it is interesting to note that while pay transparency practices are defined at an organization level, the limited studies in this field have tended to use random or convenience samples of people without any specific connection to the pay transparency practices those individuals experience from their employer (see for example, Alterman *et al.*, 2021; Smit and Montag-Smit, 2019). In this study, the impact of employee perceptions of pay transparency on job turnover intentions is examined through the lens of the organization that the employee is linked to. This novel approach to pay transparency studies contributes to a fuller understanding of the impact of pay transparency on organization-level outcomes.

Literature review

Pay transparency

Pay transparency is generally considered to be an extreme of pay communication (Burroughs, 1982; Colella *et al.*, 2007). Pay communication refers to what, how and to whom organizations choose to communicate their pay structures, salary ranges, average salaries and even individual employees' salaries (Marasi and Bennett, 2016). Burroughs (1982) proposed that pay communication could be seen as a continuum, ranging from complete secrecy, where employees have no information about pay, to complete transparency, where individual employees' salaries are publicized. The continuum view of pay communication is now generally accepted (Colella *et al.*, 2007; Marasi and Bennett, 2016).

Building on the idea of a continuum, Arnold *et al.* (2018) argue that there are three aspects to pay transparency – pay process, pay outcome and pay communication transparency, and conceptually organizations could take different approaches to all three aspects. Pay transparency is therefore best thought of as a set of practices within an organization as opposed to a fixed position (Marasi *et al.*, 2018; Marasi and Bennett, 2016; SimanTov-Nachlieli and Bamberger, 2021).

Measuring pay transparency. Given the understudied nature of pay transparency, there is no commonly accepted instrument to assess perceptions of transparency. Day (2011, 2012) developed a four-item scale to measure organizational practices around pay communication (a sample item is: "My company provides employees with written information about how pay levels are determined") and reported a Cronbach alpha of 0.81. A limitation of Day's (2011) scale is that it only focuses on the various channels of pay communication (face to face, written, delivered by supervisor or organization), as opposed to interrogating different levels of pay transparency. Smit and Montag-Smit (2018) developed a scale to measure pay transparency preferences, which does include a sub-scale related to pay disclosure policy. The challenge with this scale is that it does not distinguish between different types of pay transparency practices, e.g. the sharing of salary ranges per job, vs the actual average salary paid, vs full disclosure of all employee salaries.

We therefore return to Burroughs' (1982) definition of the continuum of pay transparency as the basis for a measure of the level of pay transparency within an organization. He defines pay transparency practices on a continuum from Red to Green. Red organizations share no information, and employees only know their own pay level. Orange organizations share information like the factors that determine pay, pay ranges or medians per job/job level. Yellow organizations share information such as how much is spent on increases and who receives these, while Green organizations share detailed information on specific pay for specific people. The Pay Transparency Scale in this study is based on Burroughs' conceptualization of pay transparency and asks respondents what information is shared within their organization, with items related to increasing levels of pay transparency as the scale progresses.

Pay transparency and job turnover. There are very few studies of pay transparency and employee turnover. Of these, the study of Card *et al.* (2012) found an increase in turnover rate for the lower-earning employees at a university in the years following a pay transparency experiment. Mas (2014) found a 75% increase in the turnover of city managers after their pay was publicly disclosed. Arnold *et al.*'s (2018) study of pay transparency in Switzerland showed that pay process transparency was associated with lower turnover rates. It is worth noting the distinction between the disclosure of pay (Mas's study) and pay process transparency (Arnold *et al.*'s study) being associated with different turnover outcomes.

In the only known study of pay transparency which examined varying levels of organizational pay transparency and the corresponding impact on turnover, Alterman *et al.* (2021) argue that employees also factor in perceptions of organizational fairness, and distributive justice, in their response to pay transparency. They found that increased pay

transparency, combined with an environment with higher distributive justice, can result in a material reduction in voluntary turnover.

Pay transparency and organizational justice. Studies that have taken an organizational justice perspective on pay communication found that communication about pay differences (informational justice) improves pay satisfaction (Day, 2011; Till and Karren, 2011). However, Smit and Montag-Smit (2018) found that informational justice perceptions were more aligned to employee pay transparency preferences than the level of pay transparency itself. Behavioral outcomes, such as counterproductive workplace behaviors and organizational citizenship behaviors, have been found to be linked to pay transparency, with a mediating or moderating effect from organizational justice. Marasi *et al.* (2018) found greater transparency increases organizational citizenship behaviors through the mediating effect of information and distributive justice, while SimanTov-Nachlieli and Bamberger (2021) demonstrated the positive effects of pay process transparency on counterproductive workplace behaviors but that this effect was stronger in environments with higher levels of distributive justice.

Job turnover intentions and employee retention

The need for employers to retain skilled, high performing employees is a perennial one (Allen *et al.*, 2010). It remains top of mind for managers and executives, both because of the high cost of replacing employees and because changing employee demographics and economic circumstances force employers to keep abreast of the most impactful retention factors (Hom *et al.*, 2017; Lee *et al.*, 2017).

The body of literature exploring job turnover intentions and employee retention is extensive, with many different models and theories approaching the problem from various psychological and sociological perspectives (Bryant and Allen, 2013; Hom *et al.*, 2017; Lee *et al.*, 2017). Relationship-based perspectives that build on social exchange theory (Mossholder *et al.*, 2005) and organizational justice perspectives (Colquitt *et al.*, 2001) are most relevant here.

Perceived organizational support. Social exchange theory (Blau, 1964) proposes that mutually beneficial relationships are built over time through a series of reciprocated exchanges between two parties. Each party aims to improve the benefit they receive from these exchanges and minimize the costs. If one party perceives that their contribution is not reciprocated in a commensurate way, they may want to end the relationship. The “social” part of social exchange theory highlights that these exchanges are not economic in nature, but rather consist of costs like effort and time, and benefits like a sense of support, recognition, social standing or companionship. In an organizational context, social exchange theory posits that the employer–employee relationship is based on an expectation of reciprocity, and that employees will respond to the employer meeting their needs with commitment to the organization (Cropanzano and Mitchell, 2005).

A key component of social exchange theory is that a series of positive exchanges builds trust between parties, in the organizational context, greater trust between employee and employer. In particular, it is the social rather than economic nature of these exchanges that engenders trust. Trust is the “critical social exchange mediator” and is proposed to contribute to job satisfaction and commitment (Cropanzano and Mitchell, 2005, p. 886).

Perceived organizational support is an extension of social exchange theory (Eisenberger *et al.*, 1986). Eisenberger *et al.* (1986) argued that employees evaluate the quality of exchanges between them and the employer and then develop beliefs about the level of commitment, care and support the organization is willing to give them, which guides their behavior toward the organization. It has been shown repeatedly that perceived organizational support (POS) is positively correlated with intention to stay, and negatively correlated with job turnover (for example, Allen and Shanock, 2013; Eisenberger *et al.*, 2001).

Kurtessis *et al.* (2017) showed that both the quality of the employee–organization relationship and supportive HR practices are both antecedents to POS. To the extent that increased pay transparency builds higher levels of trust and is seen as a supportive HR practice, it would therefore imply that it contributes to POS, and consequently to turnover intentions.

Organizational justice. Organizational justice is a collective term that encompasses distributive, procedural, interpersonal and informational justice (Colquitt, 2001; Colquitt *et al.*, 2001). Distributive justice refers to the outcome of a process being fair, while procedural justice refers to the process used to determine the outcome being fair, with these two types of justice being used most commonly in research (Colquitt, 2001).

Colquitt *et al.* (2001) showed that higher perceptions of organizational justice have a positive impact on organizational commitment and trust. Perceptions of organizational justice related to pay (either the outcome or the procedures for allocating pay) are key to employees' overall perceptions of organizational justice and consequent commitment to the organization (Downes and Choi, 2014). More definitively, both Hom *et al.*'s (2017) review of turnover literature and Rubenstein *et al.*'s (2018) meta-analysis of the antecedents of turnover demonstrated a strong relationship between organizational justice (all aspects of it) and turnover.

Conceptual model and hypotheses

Despite the extensive body of literature on job turnover and employee retention, there is insufficient research on the intersection of pay transparency and job turnover, and only one study (Alterman *et al.*, 2021) has tested the direct relationship between pay transparency and employee retention in organizations with different pay transparency approaches. We draw on the literature theorizing the benefits and costs of greater pay transparency when considering the impact of pay transparency on job turnover intentions. It has been argued that pay transparency improves employee morale and performance by creating a clearer link between pay and performance (Colella *et al.*, 2007; Cullen and Perez-Truglia, 2018) and reduces pay inequality (Castilla, 2015; Obloj and Zenger, 2020). It could be assumed that higher morale and a sense of fairness in pay would encourage employees to remain with an organization. However, pay transparency has also been associated with concerns about employee discontent and conflict if they were to learn about pay inequalities in their organization (Bamberger and Belogolovsky, 2017) and erosion of employee trust if they feel their personal information has not been treated with appropriate confidentiality (Moriarty, 2018). These types of negative outcomes could certainly lead to higher levels of job turnover intentions. The lack of consensus about the impact of pay transparency on organizational outcomes reinforces the value of the present study.

When considering how to interpret these divergent perspectives, social exchange theory is a useful framework. Pay transparency practices that are explained well, applied consistently and with respect for employee privacy concerns could be perceived as positive social exchanges. For example, a pay for performance scheme where employees can clearly see how they and their colleagues are measured, and subsequently rewarded, will likely engender trust in the organization and incentivize higher levels of performance. There is also a link here to organizational justice. The same pay for performance example could also improve perceptions of distributive and procedural justice, thereby positively influencing employees' perceptions of the organization and their intent to remain.

While the negative "costs" of pay transparency in terms of employee morale, conflict and distrust are conceivable as outcomes, they are by no means a certainty. Instead, they are most likely the result of practices implemented in a manner that creates a negative social exchange. Possibly through careless communication that breaches employee confidentiality, or

inappropriate use of comparisons between employee pay levels to demean or demoralize employees. We propose that there is conceptually no inherent reason for pay transparency to be implemented in such a negative manner. We therefore hypothesize that higher levels of pay transparency constitute a positive exchange from employer toward the employee and will therefore have a negative impact on job turnover intentions.

H1. Higher levels of pay transparency are negatively related to job turnover intentions.

Pay transparency practices, the collection of practices about how much is communicated to employees about pay structures and pay levels, forms part of an organization's overall human resource (HR) practices. We know that supportive HR practices positively influence employee's perceptions of how the organizations supports them (Kurtessis *et al.*, 2017; Singlhamber *et al.*, 2020). Using the social exchange theory model (Blau, 1964), a strategy of open communication about pay practices represents a positive exchange contribution which creates a greater sense of organizational support for the employee (Marasi and Bennett present a similar proposition in their 2016 paper). In turn, the employee responds with lower intent to leave. On the other hand, pay secrecy represents either a neutral or negative exchange contribution and does not promote a sense of support from the organization, which can contribute to intent to leave. We therefore hypothesize:

H2a. Higher levels of pay transparency are positively related to POS.

POS describes the degree to which employees feel they are taken care of and supported by their organization. By implication, employees with higher levels of POS have experienced multiple positive social exchanges which have built a sense of trust. Furthermore, employees with higher levels of POS are more committed to the organization and its goals (Kurtessis *et al.*, 2017). One might therefore propose that those employees would be less likely to leave an organization, thus having lower job turnover intentions. Indeed, multiple studies have previously demonstrated a negative relationship between POS and job turnover intentions (for example, Allen and Shanock, 2013; Eisenberger *et al.*, 2001). We draw on those previous findings to support Hypothesis 2b:

H2b. POS is negatively related to job turnover intentions.

Organizational justice (Colquitt, 2001; Colquitt *et al.*, 2001), which encompasses both procedural and distributive justice, similarly offers a way of understanding the relationship between pay transparency and turnover. Pay transparency can impact perceptions of both procedural and distributive justice, depending on the pay transparency practices an organization adopts (Day, 2011). A fully transparent organization will allow employees to make judgments both about the outcomes of pay practices and about how fair the process has been. If favorable, positive perceptions of fairness would contribute to lower job turnover intentions. If unfavorable, evidence of unfair treatment could lead to higher job turnover intentions. We therefore hypothesize:

H3a. Higher levels of pay transparency are positively related to perceptions of organizational justice (both procedural and distributive justice).

High levels of perceptions of organizational justice describe environments where employees perceive that they are treated fairly in terms of outcomes, and that processes are applied consistently and fairly, and aligned to their understanding of what to expect. It would be expected that such environments would be more favorable ones in which to work, and employees would be likely to value the predictability of outcomes and processes over moving to another organization where those factors are unknown. We therefore propose a negative impact of organizational justice perceptions on job turnover intentions. Similarly to Hypothesis 2b, there is previous research that has demonstrated such a negative relationship

between organizational justice and job turnover (for example, [Lee et al., 2017](#); [Rubenstein et al., 2018](#)) and we draw on those findings to support [Hypothesis 3b](#):

H3b. Perceptions of organizational justice (both procedural and distributive justice) are negatively related to job turnover intentions.

While it is possible that there is some direct effect of pay transparency on job turnover intentions, all the theories considered argue that pay transparency has more indirect effects, working through factors like POS and organizational justice. For this reason, we propose that the effects of pay transparency on job turnover intentions are mediated through POS or organizational justice, rather than impacting job turnover intentions directly. We therefore hypothesize:

H4. The direct impact of pay transparency on job turnover intentions is smaller than the impact through the mediating variables of POS and organizational justice.

This overall conceptual model is shown in [Figure 1](#).

We are cognizant that the proposed conceptual model assumes congruence between an organization's intended pay communication practices and how they are actually implemented. An organization may create salary ranges for each job which are intended to be communicated, but then fall short of ensuring all employees actually have access to that information. Or may provide pay information when an employee joins which is subsequently forgotten as the employee adapts to their new job. Or there may be inconsistencies in how individual supervisors communicate about pay compared to what the organization intends. All these factors could impact employee perceptions of pay transparency. This potential discrepancy is discussed further in the findings.

Methods

Data and sample

Data for this study were collected through an online survey of employees working at organizations with varying pay transparency practices. This study took a novel approach of linking respondents to their employers because it was important to understand the specific nature of the pay transparency stance at a particular organization as well as the employee's perceptions of and response to that stance. Other studies in the field have not attempted to view pay transparency through the lens of the employer and have used random or convenience types of samples (see for example, [Alterman et al., 2021](#); [Smit and Montag-Smit, 2019](#)).

Four organizations in South Africa with diverse pay transparency practices participated in the study, from a small family-owned business with secretive pay practices to a department of the South African government with fairly transparent practices. An interview was conducted at each organization with either the HR Manager or the Remuneration manager to

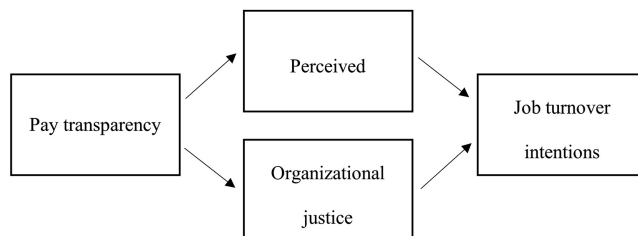


Figure 1.
Proposed
conceptual model

Source(s): Author's own

understand the organization’s stance on pay transparency and what they communicated about pay. Table 1 summarizes the nature of the four organizations and presents the Organization Pay Transparency score (out of a possible 7) for each organization. This score

	Number of respondents	Number of employees	Org pay transparency score	Industry	Nature of pay transparency practices
Org 1	71	150	3.00	Financial Services	Highly secretive. As a small, family-owned business there are few formal processes to manage pay and pay communication. Employees do not know the grade/level of their job. No information about salary ranges or actual salaries is shared, but HR manager says information is shared about factors that are considered in setting salaries. An overall annual salary increase budget is shared with employees. Answered “agree” to items 1, 2, and 5 on pay transparency scale
Org 2	82	80,000	3.00	Retail	Described by HR Manager as “conservative”. Employees know their grade and the annual salary increase budget. Information about factors affecting salaries is shared. Nature of workforce is predominantly low-skilled/ manual labour so pay communication is relatively basic. Answered “agree” to items 1, 2, and 5 on pay transparency scale
Org 3	87	3,000	3.00	Technology	There is a well-defined salary structure in place, but this is not communicated to employees. Many employees are not even aware of their job grade, although this is not secret. Managers of others are aware of pay structures but individuals contributors would not be. Factors affecting salary setting are shared, as well as increase budget. Answered “agree” to items 1, 2, and 5 on pay transparency scale
GovDept	59	400	5.00	Government	There are 16 job grades, and each job is assigned to a grade. A salary range is published for each grade, and there are up to 12 notches within each grade; each notch has a prescribed salary attached to it. The grade of each job is public knowledge, and salary scales are published on a public website. Answered “disagree” to items 4 and 7 on pay transparency scale

Table 1. Summary of pay transparency practices at each organization

was calculated using the HR/Remuneration Manager's responses to the items in the Pay Transparency scale (see next section).

The interviews showed that the government department had the most transparent pay practices (the pay rate for each position is disclosed) and differed the most from the other three organizations. The other three organizations were all much more secretive about pay (for example, none of them disclosed the pay range/pay rate for particular positions) but did vary in the specifics of how their practices were implemented.

A total of 299 responses were received across all organizations, which represented a response rate of 22.4% from the 1,388 employees who were contacted. The sample was 53.2% female, with a mean age of 38 and a mean tenure in that organization of 6 years. The majority of the sample was in either middle (40.5%) or junior management (30.4%) levels. Respondents primarily worked in operations or administrative roles (35%), followed by technology (15%), human resources (13%) and finance (10%).

Measures

A survey instrument was developed based on previous research in the field, divided into sections for pay transparency, POS, distributive justice, procedural justice and job turnover intentions. Respondents were also asked to provide their age, gender, tenure with the organization, job level/grade and the nature of the work they perform.

Pay transparency (PT). As discussed earlier, Burroughs' (1982) explanation of the continuum of pay transparency was used to develop the seven-item Pay Transparency Scale with simple *Agree/Disagree* response options. Two sample items are "My employer provides some information on what the salary range is for each job/role" and "My employer provides information about the actual salaries it pays (e.g. the average salary per job/role)". The full scale is in [Appendix](#).

The reliability of the scale was 0.76 in this study. This refers specifically to employees' perceptions of pay transparency (i.e. the 299 survey respondents).

Perceived organizational support (POS). The six-item shortened Survey of perceived organizational support developed by Eisenberger *et al.* (2001) was used as the base for this section. The reliability of the scale was 0.86 in this study.

Procedural and distributive justice. The four distributive justice items and the seven procedural justice items developed by Colquitt (2001) were used as a base for this section, with the language slightly simplified. The reliability of the scales was 0.95 for distributive justice and 0.85 for procedural justice in this study.

Job turnover intentions. The three-item scale used by He *et al.* (2016) was used to assess job turnover intentions. The reliability of this scale was 0.93 in this study.

Data analysis

To start, the survey data were categorized by organization to see if the different pay transparency stances of each organization were discernible in the data. Correlation analysis was used to test if any relationship existed between pay transparency and job turnover intentions and then standard multiple regression was used to assess how much of the variance in job turnover intentions was explained by variation in pay transparency, POS, distributive justice and procedural justice. From the information about each organization's pay practices, it is known that the government department in the sample has pay practices that differ the most from the other three organizations. To test if this difference affected the regression analysis, the analysis was re-run including the *OrgType* variable which groups the three private sector organizations together vs the one government department (see Findings for further explanation of the *OrgType* variable). Normality, linearity, multicollinearity and homoscedasticity were checked to ensure that the assumptions of regression analysis were not violated. The collinearity statistics of tolerance and VIF were

both within the acceptable range (tolerance above 0.1 and VIF below 10) (Pallant, 2013), indicating no multicollinearity.

The residual analysis did show some heteroscedasticity. The use of a heteroscedasticity-consistent standard error estimator is recommended in these cases (Hayes, 2013); in particular, the HC3 estimator (Long and Ervin, 2000). The regression analysis was re-run with the HC3 estimator, using the procedure in SPSS outlined by Hayes and Cai (2007).

Finally, mediation analyses were conducted using the technique and PROCESS macro developed by Hayes (2013). The first analysis tested if the relationship between pay transparency and job turnover intentions was mediated by POS, distributive justice or procedural justice, or a combination, as proposed in the conceptual model for this study. The second analysis added OrgType to the model to test if controlling for the organizational context impacted the mediation paths.

Findings

Table 2 shows the mean scores per variable for each organization, including the organizational pay transparency score.

Based on the survey responses of employee perceptions, Organization 1 had the lowest pay transparency score (i.e. the most secretive approach), but the second highest scores for POS, and the highest scores for distributive justice and procedural justice. It also had the lowest job turnover intentions score. Conversely, GovDept had the highest mean pay transparency score at 3.98, but the lowest POS score, the second lowest distributive justice score, the lowest procedural justice score and the highest job turnover intentions score. For all organizations, employees' perceptions of pay transparency were lower than organizational pay transparency, indicating that employees perceived a lower degree of pay transparency than the organization's actual pay transparency approach. This could indicate a gap between how the organization intends to communicate its practices, and how effective those communications actually are. It could also be reflective of the gap between the knowledge held by HR and specialist remuneration practitioners and ordinary employees who may not spend any significant time considering pay communication practices.

The differences in the scores between the organizations were explored statistically, first with a Kruskal–Wallis test. This showed statistically significant differences between organizations for pay transparency, perceived organizational support, procedural justice and job turnover intentions, but not for distributive justice. To identify which of the organizations are statistically significantly different from one another, Mann–Whitney *U* Tests were conducted. To control for the Type I error, the Bonferroni adjustment was used to assess

	Perceived org support Mean (SD)	Distributive justice Mean (SD)	Procedural justice Mean (SD)	Job turnover intention Mean (SD)	Pay transparency Mean (SD)	Org pay transparency Score
Org 1	3.73 (0.86)	3.09 (1.02)	3.00 (0.83)	2.43 (1.20)	2.66 (1.91)	3.00
Org 2	3.44 (0.94)	2.60 (1.21)	2.37 (0.92)	3.16 (1.47)	2.72 (1.83)	3.00
Org 3	3.74 (0.81)	2.86 (1.01)	2.57 (0.84)	2.82 (1.13)	2.84 (1.68)	3.00
GovDept	3.06 (0.93)	2.77 (1.28)	2.05 (0.78)	4.05 (1.19)	3.98 (2.15)	5.00
<i>Average</i>	<i>3.52 (0.92)</i>	<i>2.82 (1.14)</i>	<i>2.51 (0.90)</i>	<i>3.06 (1.37)</i>	<i>2.99 (1.93)</i>	<i>n/a</i>

Note(s): 1 The scales for perceived organizational support, distributive justice, procedural justice and job turnover intentions used a range from 1 to 5. The scales for pay transparency and organization pay transparency used a range from 1 to 7; 2 Pay transparency is the results of employees' perceptions of pay transparency; 3 Organization pay transparency was determined based on responses from the organization's HR or remuneration manager to the same set of questions that employees were asked

Table 2. Mean scale scores per organization

significance (Hair *et al.*, 2006). With six tests undertaken, significance was only noted for alpha values below 0.008. The findings are presented in Table A1 in Appendix.

Although there are a number of significant differences between the organizations for different variables, the findings show that most of the significant differences occur when GovDept is part of the pair that is being tested. This is consistent with what is known about GovDept’s pay transparency practices varying the most from the other organizations. To explore this distinction further, the four organizations were recoded to a new variable, called OrgType, which grouped the three non-governmental organizations together as Private and kept GovDept separate, coded as Government. Both an independent samples *t*-test and another Mann–Whitney *U* Test were conducted to check for differences between Government and private for all the variables. Perceptions of pay transparency within Government are significantly higher than at private organizations, in line with the known differences in pay transparency practices. Perceptions of perceived organizational support and procedural justice are both significantly higher at private organizations than Government and job turnover intentions are significantly higher at Government. There are no statistically significant differences in perceptions of distributive justice. The OrgType variable was therefore retained as a control variable in the analysis that follows.

Table 3 shows the descriptive statistics and correlations between all the variables. The findings show that there was a weak, but significant, negative correlation between pay transparency and job turnover intentions ($r = -0.21; n = 299; p < 0.01$), with higher levels of transparency being associated with lower job turnover intentions. There were moderate positive correlations between pay transparency and POS ($r = 0.39, n = 299, p < 0.01$), distributive justice ($r = 0.40, n = 299, p < 0.01$) and procedural justice ($r = 0.35, n = 299, p < 0.01$). There were strong negative correlations between POS ($r = -0.55, n = 299, p < 0.01$), distributive justice ($r = -0.53, n = 299, p < 0.01$) and procedural justice ($r = -0.52, n = 299, p < 0.01$) and job turnover intentions.

Standard multiple regression shows that overall, the four independent variables explained 42.1% of the variance in job turnover intentions, $p < 0.001$. POS made the largest statistically significant contribution to the variance ($\beta = -0.492, p < 0.001$), while pay transparency made the smallest contribution to explaining the variance ($\beta = 0.045, p = 0.290$) and was not statistically significant.

The second model, which includes OrgType, explains 47.2% of the variance in job turnover intentions, $p < 0.001$. In this model, organization type (OrgType) makes the largest contribution to the variance ($\beta = -0.884, p < 0.001$), followed by POS ($\beta = -0.373, p < 0.001$) and distributive justice ($\beta = -0.369, p < 0.001$). Pay transparency does not make any significant contribution to the variance ($\beta = -0.028, p = 0.500$). It appears that the variation in pay transparency has been accounted for by the organization-type variable.

The results of these two regression analyses are shown in Table 4 as Model 1 and 2.

The data in Table 3 shows a small correlation between pay transparency and job turnover intentions, giving support for Hypothesis 1, however the regression analysis results in Table 4 show that pay transparency makes no significant contribution to job turnover

Table 3.
Means, standard deviations and correlations between study variables

Variable	Mean	SD	1	2	3	4	5
1. Job Turnover Intentions	3.06	1.37	–				
2. Pay Transparency	2.99	1.93	–0.21**	–			
3. Perceived Organizational Support	3.52	0.92	–0.55**	0.39**	–		
4. Distributive Justice	2.82	1.14	–0.53**	0.40**	0.49**	–	
5. Procedural Justice	2.51	0.90	–0.52**	0.35**	0.52**	0.58**	–
6. OrgType	n/a	n/a	0.36**	0.26**	–0.25**	–0.02	–0.26**

Note(s): Pay transparency reports employee responses to the pay transparency items in the survey; ** $p < 0.01$

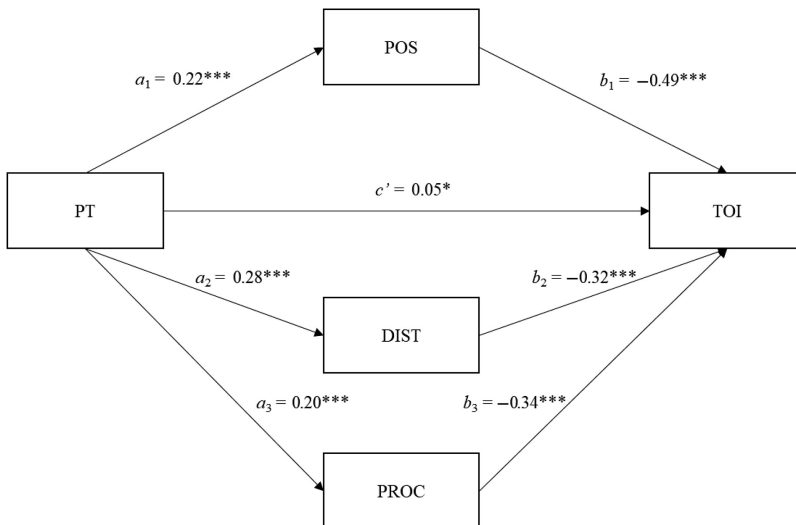
intentions. Hypothesis 1 is therefore not supported. The correlations reported in Table 3 show support for Hypothesis 2a, 2b, 3a and, 3b. From the regression (Table 4), it is interesting to note the smaller impact of procedural justice when controlling for OrgType.

Figure 2 shows the findings from the first mediation analysis. The indirect effects through the mediation paths ($a_1b_1 = -0.11, a_2b_2 = -0.09, a_3b_3 = -0.07, p < 0.001$) were all larger than the direct effect of pay transparency on job turnover intentions ($c' = 0.05, p < 0.5$) and the percentile confidence intervals for each of the indirect effects based on 5,000 bootstrap samples were all less than zero (indicating significance), except for pay transparency. These findings shown in Figure 2 support Hypothesis 4 that the direct impact of pay transparency on job turnover intentions is smaller than the impact through the mediating variables of POS and organizational justice.

Once again testing for the impact of the organization type, OrgType was added a co-variate. In this model (see Figure 3), pay transparency does not have a significant direct effect on job turnover intentions ($c' = -0.03, p > 0.5$). The indirect effect of pay

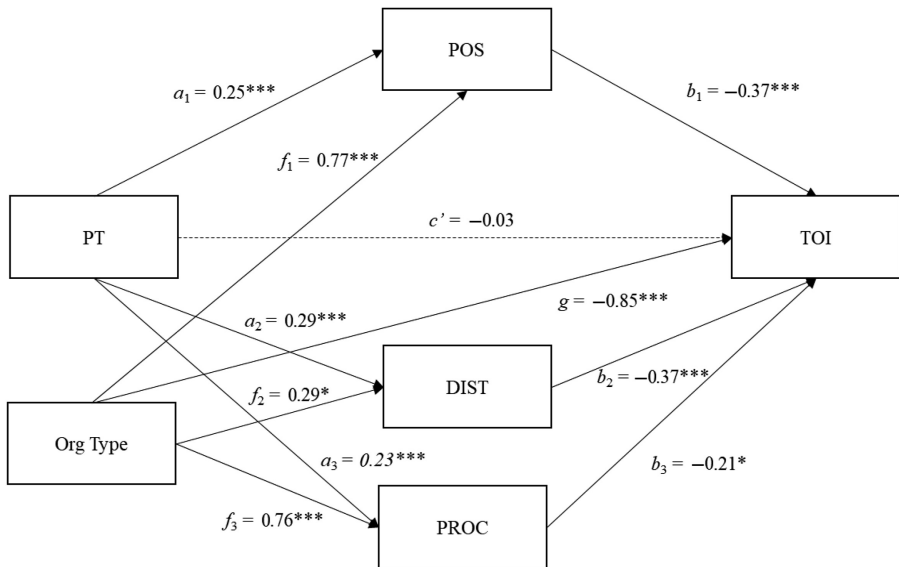
	Model 1 (with HC3)			Model 2 (incl. OrgType, with HC3)		
	β	SE	P	β	SE	p
Constant	6.456	0.204		6.714	0.204	
Pay Transparency	0.045	0.043	0.290	-0.028	0.042	0.500
Perceived Organizational Support	-0.492	0.101	<0.001	-0.373	0.099	<0.001
Distributive Justice	-0.318	0.082	<0.001	-0.369	0.073	<0.001
Procedural Justice	-0.341	0.100	<0.001	-0.211	0.092	0.022
OrgType				-0.884	0.173	<0.001
	$R^2 = 0.421$			$R^2 = 0.472$		
	$F(4, 294) = 91.33, p < 0.001$			$F(5, 293) = 82.99, p < 0.001$		

Table 4. Regression analysis estimating job turnover intentions



Note(s): * $p < 0.5$, *** $p < 0.001$

Figure 2. Effects of pay transparency on job turnover intentions through mediating variables



Note(s): * $p < 0.5$, ** $p < 0.01$, *** $p < 0.001$

Figure 3. Effects of pay transparency on job turnover intentions through mediating variables with co-variance of OrgType

transparency on job turnover intentions through the mediator of POS is still negative but slightly smaller ($a_1b_1 = -0.09$, $p < 0.001$). For distributive justice, controlling for organization type resulted in a slightly larger indirect effect ($a_2b_2 = -0.11$, $p < 0.001$), while the indirect effect was smaller for procedural justice ($a_3b_3 = -0.05$, $p < 0.001$). It is noteworthy that the effect of OrgType on POS ($f_1 = 0.77$, $p < 0.001$), procedural justice ($f_3 = 0.76$, $p < 0.001$) and job turnover intentions ($g = -0.85$, $p < 0.001$) was much larger than the effect of pay transparency on these variables.

Overall, the findings show support for a mediated model of the impact of pay transparency on job turnover intentions. Hypothesis 1 is not supported by the findings from the regression analysis, but Hypotheses 2a, 2b, 3a and 3b are supported. More importantly, the mediation analysis shows support for Hypothesis 4 that the direct impact of pay transparency on job turnover intentions is smaller than the impact through the mediating variables of POS and organizational justice.

Discussion

Pay transparency, job turnover intentions and the role of mediators

This study found a weak, but significant, negative correlation between pay transparency and job turnover intentions, meaning that increased pay transparency is associated with lower job turnover intentions. At a high level, this finding agrees with those of Alterman *et al.* (2021), Arnold *et al.* (2018) and Scott *et al.* (2020), however each of those studies had nuances which do not entirely align with this study, making direct comparisons difficult. Scott *et al.*'s study was the closest in method to this study and found a similar low correlation between pay transparency and intention to leave ($\rho = -0.19$, $p < 0.001$ compared to $r = -0.21$, $p < 0.01$ in this study).

At a more detailed level, the study's findings aligned with prior findings about the links between the different variables in the conceptual model and supported the proposed

hypotheses. The findings from the mediation analysis clearly showed that the mediation pathways explained the impact of pay transparency on job turnover intentions better than the direct impact of pay transparency. Perceptions of higher levels of pay transparency were associated with higher levels of perceived organizational support, which was in turn associated with lower turnover intentions. Similarly, perceptions of higher levels of pay transparency were associated with higher levels of both distributive and procedural justice, and consequently with lower job turnover intentions. The strongest effects were through the POS and distributive justice mediation paths. The findings give support to the proposed conceptual model that pay transparency works indirectly on organizational-level outcomes like turnover, thereby aligning with other compensation research which has shown similar indirect effects (for example, [Rubenstein et al., 2018](#); [Williams et al., 2008](#)).

Pay transparency may not matter as much as previously thought. Although the literature indicated potential mechanisms for how pay transparency could influence job turnover intentions, and evidence for this relationship was found in the data, the relationship is weak. The implication of this finding is that it begs the question of whether investing in pay transparency is a worthwhile endeavor for employers. Certainly, if turnover is the primary concern, then interventions which enhance POS would be beneficial, but those interventions do not need to be related to pay transparency, or even to pay at all. The literature shows that factors like quality relationships, care shown to employees, opportunities for career growth and development, and a supportive organizational culture were all closely linked to POS ([Kurtessis et al., 2017](#)). Enhancing these factors could be pursued without the potential reputational and cost risks that may be associated with pay transparency. In short, pay transparency just may not matter that much to employees when it comes to job turnover. This in turn gives practical guidance to practitioners grappling with determining their organization's approach to pay transparency.

The role of the organization

The regression analysis highlighted the role of the organization, articulated here through the OrgType variable, as at least as important as POS and organizational justice in this study. The study approach of linking respondents to their employers enabled a much deeper understanding of organizational dynamics that may have affected employees' turnover intentions, completely unrelated to pay transparency practices. This was demonstrated when organization type (government vs other) was added to the regression analysis. First, the model fit was better, explaining 47.1% of the variance, as opposed to 42.7% when organization type was not included. Second, the contribution of pay transparency reduced to being insignificant and the contribution of procedural justice was lower. It appears that organization type accounted for the variance in these two variables.

Despite the unexpected finding of the key role of the organization type, the usefulness of OrgType as a variable is quite limited, at least as it is conceptualized in this study, because it lacks specificity of what constitutes the differences between the organizations. It could encompass a range of factors, like culture, leadership, high performance work practices, to name a few. Further research to deepen the understanding of how organizational factors interact with pay transparency practices would be useful.

But even just taking one organizational factor, culture, as an example, there could be an argument for its relevance in pay transparency research. The importance of organizational culture and its potential to influence organizational outcomes and performance is widely known ([Chan et al., 2004](#)). It is conceivable that culture plays a role when it comes to pay transparency because it provides the scaffolding which can support different pay transparency practices. In a culture with high levels of trust and where employees are shown good and fair treatment across many dimensions, an organization may have no need for

transparency around pay because employees implicitly trust that they will be treated fairly in this regard too. And of course, the reverse could also be true. In a low trust environment and where employees may have experienced general patterns of unfair treatment, even a fully transparent pay approach may not be sufficient to create positive perceptions and may generate the types of negative outcomes like lower morale and employee resentment that is predicted in some of the literature. Clearly the contextual dimension of pay transparency is an area where the pay transparency theory requires further development and presents an avenue for future research.

The gap between organizational practices and employee perceptions. The contextual dimension of pay transparency is further complicated by the data from this study which showed differences in how organizations rated their pay transparency practices compared with how employees in those organizations perceived those same practices. This gap could be a function of poor communication of organizational practices, or execution of these practices in ways that diverge from the organization's intentions, or both. Organizational practices are communicated and executed in practice by people (leaders, managers, supervisors, HR) who inherently bring variation in how they do this.

Employees may be provided with pay information when they join an organization but give it little attention when focusing on learning a new job, or may only focus on policies related to pay transparency when it is perceived to be relevant for them. Furthermore, an organization may profess to have transparent pay practices but not formally codify them, with employees instead having to rely on verbal communication of such policies. Organizations wishing to establish more transparent pay practices must be cognizant that clear communication of these policies to employees, most likely at multiple points in the employment relationship, would be an important requirement to seeing any benefit from such practices.

From a research point of view, this gap in perceptions highlights an important consideration in designing future pay transparency studies – care must be taken in understanding whose perceptions of pay transparency is being tested and how this can vary depending on the perspective taken. From a practitioner's point of view, this gap highlights the necessity of focusing on how effectively an organization communicates its pay practices, especially if changes are being made. Targeted surveys of employees to test their understanding and perceptions of pay transparency may be useful in this regard.

Contributions of the research

This study makes both a theoretical and an empirical contribution through a model of how pay transparency can impact organizational outcomes through mediating variables and by identifying organizational context as a new variable that may be relevant in better understanding the impact of pay transparency in organizations. Organizational culture and climate have previously been linked with job turnover (Rubenstein *et al.*, 2018), but to date, the pay transparency literature has not explored organizational factors explicitly.

The study also makes a unique methodological contribution in the way that data was collected, by linking participants to the organization to which they belonged. This approach enabled a new level of analysis about the role of the organization and has revealed that it is a highly relevant variable in pay transparency research.

Limitations

At the time of developing the survey instrument and collecting data, the limited published scales to measure pay transparency were not suitable for the objectives of this study (for example, Day, 2011; Marasi, 2014; Noy, 2007; Smit and Montag-Smit, 2018). For example, Marasi's (2014) scale contains items regarding employees discussing pay information with

others, while this study focuses solely on pay information being shared from organizations to employees, and enforcement and compliance items that do not necessarily apply to organizations in South Africa due to different legislation and customs. Consequently, a scale was developed specifically for this study based on Burroughs' (1982) pay transparency continuum. Since then, Marasi *et al.* (2018) have published a study describing how they developed and validated a pay transparency scale. If available earlier, it would have been better to use this validated scale, both to increase the reliability of the findings and to contribute to the development of the field by converging on commonly agreed measurement instruments.

The study is also limited in that the data collected was primarily self-reported and cross-sectional. This could result in causal inferences which are not fully supported.

Although the checks for multicollinearity were conducted in the regression analysis and the results were within acceptable range, the variables are all statistically significant to each other, indicating that multicollinearity must be considered in interpreting the results.

Conclusion

More important than the evidence of measurable relationships between pay transparency and job turnover intentions, this study has shown that pay transparency has an important contextual dimension. Pay practices are inherently tied to a specific organizational context, they do not exist as stand-alone entities, and this context shapes the practical application of policies and how they are experienced by employees. To study pay transparency without linking it to an organization is to miss part of the story. The organization-focused study design enabled this extension to the concept of pay transparency and will hopefully influence future researchers in this space in how they consider organizational context in their research designs.

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Appendix
Pay Transparency Scale

- (1) I know my job grade/job level.
- (2) My employer provides some information on the factors that are considered when salary ranges are determined (e.g. complexity of role).
- (3) My employer provides some information on what the salary range is for each job/role.
- (4) My employer provides some information on how to interpret my own salary relative to the salary range.
- (5) My employer provides information about how much is spent on annual salary increases (e.g. percentage increase).
- (6) My employer provides information about the actual salaries it pays (e.g. the average salary per job/role).
- (7) My employer shares the salaries of all employees.

Table A1.
Mann–Whitney *U* tests
for differences between
organizations

Organizations	<i>N</i>	Pay transparency			Perceived organizational support			Distributive justice					
		Mann–Whitney <i>U</i>	<i>z</i>	<i>p</i>	<i>r</i>	Mann–Whitney <i>U</i>	<i>z</i>	<i>p</i>	Mann–Whitney <i>U</i>	<i>z</i>	<i>p</i>	<i>r</i>	
Org 1	153	2,981	0.26	0.79	0.02	2,384	-1.93	0.05	0.16	2,198	-2.63	0.01*	0.21
GovDept	130	2,825	3.45	0.00*	0.30	1,222	-4.09	0.00*	0.36	1,785	-1.45	0.15	0.13
Org 2	158	3,336	0.88	0.38	0.07	3,110	0.07	0.94	0.01	2,709	-1.34	0.18	0.11
GovDept	141	3,241	3.49	0.00*	0.29	1,814	-2.54	0.01	0.21	2,619	0.84	0.40	0.07
Org 3	169	3,802	0.75	0.45	0.06	4,281	2.26	0.02	0.17	4,062	1.57	0.12	0.12
GovDept	146	1,804	-3.08	0.00*	0.25	3,742	4.70	0.00*	0.39	2,676	0.44	0.66	0.04

Organizations	<i>n</i>	Procedural justice			Job turnover intentions				
		Mann–Whitney <i>U</i>	<i>z</i>	<i>r</i>	Mann–Whitney <i>U</i>	<i>z</i>	<i>P</i>	<i>r</i>	
Org 1	153	1,870	-3.82	0.00*	0.31	3,743	3.06	0.00*	0.25
GovDept	130	835	-5.90	0.00*	0.52	3,451	6.39	0.00*	0.56
Org 2	158	2,293	-2.79	0.01*	0.22	3,689	2.11	0.03	0.17
GovDept	141	1,912	-2.13	0.03	0.18	3,237	3.48	0.00*	0.29
Org 3	169	4,054	1.54	0.12	0.12	3,074	-1.56	0.12	0.12
GovDept	146	3,492	3.70	0.00*	0.31	1,108	-5.85	0.00*	0.48

Note(s): *Significant at alpha of 0.008 (Bonferroni adjustment)