

Talk Money to Me

With some colleagues now sharing salary info, leaders need sound plans to keep the peace.

BY PETER LAURIA



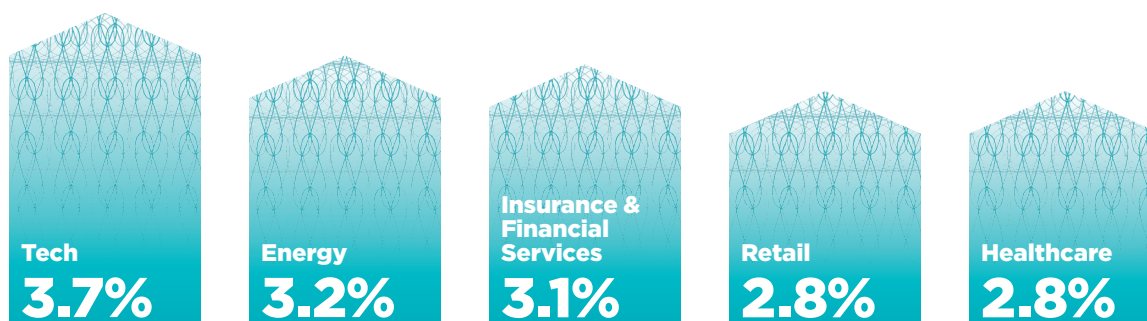
Not too long ago, colleagues understood that compensation was like religion and politics—best not discussed with each other. Not unlike those other topics, it was too personal, too sacred to share with anyone but family. What's more, some companies considered openly disclosing pay a fireable offense.

But welcome to the age of radical transparency and the so-called sharing economy, where people today feel like they should discuss salary. And

evidence suggests more people are doing just that, creating a whole new management challenge for corporate leaders. As Denise Rousseau, an organizational behavior professor in the Tepper School of Business at Carnegie Mellon University, puts it, "Openness gives employees a bargaining position."

Of course, the practice isn't common among everyone. Many still believe in the tradition of keeping such information private or don't want to create resentments if their salary is high. But according to an account in the *New York Times*, for

Planned merit raises in 2019[†]



Korn Ferry research | [†]Averages for executive/senior management

example, some 26,000 people recently disclosed their salary and job title (but not their name) to a management advice website. Two and five years earlier, only a fraction of that number were as open with the website.

To a large degree, demographics are driving the change; millennials, who compose the largest workforce group, live more transparent lives on social media and rely on apps that reveal broad salary levels. They and other groups are also pushing key issues, like reducing the gender pay gap, that lead to more salary openness.

Rousseau also cites another factor: the trend of shorter tenures and job-hopping. “The norms around an organization’s pay practices are less likely to penetrate the thinking of individual employees since they don’t stay very long,” she says.

But managers of past generations never had to deal with such openness—and have long opposed it. Many believe and worry that such sharing can corrode morale and stifle engagement, especially if it isn’t handled properly. Benjamin Frost, a reward product expert with Korn Ferry, says leaders should operate under the assumption that every employee knows what their colleagues are making, and should be prepared to answer basic questions surrounding differences. “There are plenty of reasons why two people might be paid differently, but organizations need to be clear on the reasons in each case,” he says.

Frost says leaders need to be able to explain the process for deciding and reviewing pay differences between people in the same job or job level. “It

could be time in the role, performance, qualifications versus the job specs,” says Frost. If there is a difference, leaders must be clear on how compensation is reviewed and adjusted going forward. For example, will pay increase in tandem with experience gained? And who makes that decision, a line manager or human resources?

According to Tom McMullen, a senior client partner at Korn Ferry who specializes in compensation, employees and companies often have a different view of transparency. Privately held companies, for instance, aren’t rushing to disclose their pay

The Takeaway

Forward-thinking firms should face, not avoid, the inevitable.

practices. “Organizations that have a solid underpinning to pay are more willing to be transparent, while those with less of a solid foundation are more opaque,” says McMullen. Put another way, if an organization

has a good pay-equality story to tell, it will tell it. And if it doesn’t, more likely than not someone else will tell that story. “Many employees know their salary ranges,” he says.

Ultimately, he says, he believes both sides may gain if the openness spreads, particularly if a firm has always had a pay system loaded with inequities. “If leaders find themselves struggling to answer these questions,” he says, “then there are likely opportunities to improve the way their programs work.”