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SALARY COMMUNICATION POLICY AND ITS IMPACT ON EMPLOYEE ATTITUDES

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Abstract

The increasing external pressure for greater pay transparency in recent years poses major challenges for companies. Although the policy of greater transparency certainly generates many positive outcomes, it can have various negative consequences as well. This paper examines the various outcomes of pay communication measures implemented by Croatian companies regarding the key employee attitude indicators resulting from the reward system – work engagement, employee retention and employee absenteeism. Specifically, a survey was conducted using a questionnaire among a sample of 61 medium and large companies. The research found that salary information is predominantly communicated verbally to employees by a line manager. More than half of organisations have a policy of confidentiality or non-disclosure of salary, while less than a tenth of organisations actively publish all salary range information to make it as accessible as possible to all employees. In terms of the relationship between communication policies and various employee attitudes, the research findings show different results with regard to employee category.

Keywords: *compensation and benefits management, salary communication, salary transparency, salary secrecy, employee attitudes*

1. INTRODUCTION

Although rewards are widely regarded as crucial for understanding employees' reactions to their organisations, communicating information about different elements of rewards is complex and confusing (Holtzen, 2022), and we

generally do not have comprehensive knowledge about employees' reactions to the way rewards are communicated in organisations (e.g., Marasi & Bennett, 2016; Stofberg, Bussin & Mabaso, 2022; Vorrnann, 2023). Indeed, pay communication has been described as “the once forgotten stepchild of compensation and benefits” (Bamberger et al., 2023), which is now rapidly moving to the forefront of HR management issues (Avdul, Martin & Lopez, 2024). Indeed, organisations are now faced with the need to improve the transparency and communication of their salaries. The reasons for this change can be traced back to various socio-cultural and political-legal factors, three of which stand out in particular.

Firstly, a legal framework requires employers to be more transparent, particularly with the aim of reducing the gender pay gap, which is why many labour laws around the world are being changed. In the US, for example, the Colorado Equal Work Act and the California Pay Act were recently introduced, while the European Commission has launched a pay transparency directive for 2023 that specifically aims to reduce the gender pay gap. In addition to the EU directive, which still has to be transposed into the national legal framework of the member states by June 2026, several European countries took the initiative years ago and introduced similar national frameworks (Iceland was one of the first to set a good example in 1961) (see Arnold, Sender, Fulmer & Allen, 2024; Avdul et al., 2023; Vorrnann, 2023).

Secondly, the external pressure to introduce a more open wage policy comes from the socio-cultural environment. More specifically, widespread social movements such as diversity and equity initiatives (DEI) in general are pushing organisations to be more ethical as employees seek fairer outcomes and more open policies that can reduce inequities (Avdul et al., 2023; Fulmer, Gerhart & Kim, 2023; Strofberg et al., 2022). Finally, the socio-cultural environment is characterised by the attitudes and values of younger generations of workers who do not perceive the disclosure of salary information as intrusive or anti-competitive. In fact, members of the Millennial and Gen Z cohorts appear to be more in favour of openness and are more willing to discuss compensation issues, viewing salary as “shared among friends” to help their colleagues advance, rather than as competitive, hostile or intrusive (Marasi & Bennett, 2016; Phan-Armanceous, 2022; Risher, 2014; Trotter et al., 2017 after Avdul et al., 2024).

Those in favour of pay openness argue that greater transparency is more compatible with the ethical foundations of humanist societies and is likely to benefit employees, employers and/or society. Opponents, however, point to the ethical challenges that transparency may pose to personal privacy, as well as the potential social, psychological, and economic risks to those involved (Bamberger & Alterman, 2024). However, the current movement is in favour of transparency and many organisations have moved towards more openness in remuneration (e.g. Smit & Montag-Smit, 2019). This provides an impetus to find out whether transparency in compensation practises leads to desirable outcomes for employees and organisations.

The problem, however, is that the results of studies that have analysed the effects of a transparent communication policy are ambivalent. Although positive effects such as less discrimination or a smaller gender pay gap are to be expected, disadvantages such as deviant behaviour and envy are not uncommon in such systems (see e.g. Bamberger & Belogolovski, 2017; Kim, Sung & Park, 2020). Previous research has focused on employees as units of analysis, but the impact on the organisation has been less studied. This study examines the differences in attitudes of selected key employees in relation to salary communication policies applied in Croatian business organisations. In other words, two key research questions are as follows:

RQ1: What is the predominant salary communication policy and communication channel in Croatian companies? In line with the previously described contextual factors – mainly political, legal and socio-cultural – that put pressure on organisations to open up about salary information, the current situation in organisations and the extent to which organisations need to adapt to the times will be explored. The insight into the current practise of salary disclosure can serve as a guide for future practise and, in particular, for assessing what radical changes Croatian organisations will need to introduce in the coming period.

RQ2: Is there a relationship between salary communication policy and key employee attitudes? Considering that these two areas are not inextricably linked - on the contrary - it appears that in addition to the pressure exerted by factors in the external environment on companies to adopt a more transparent communication policy, other factors also cause additional problems. More specifically, demographic trends, the structure of the education system and the new psychological contract, which leads to lower employee loyalty to the employer, are causing significant costs for organizations. Therefore, the most important employee attitudes that they must constantly monitor are those related to employee retention and motivation. In this sense, the second main research question is precisely to investigate the relationship between salary communication policies on the one hand and employee retention, work engagement and absenteeism rates on the other.

2. LITERATURE REVIEW

Despite the recognised importance of compensation issues for attracting, motivating and retaining employees, management literature has neglected the concept of compensation communication, resulting in a sparse and undeveloped knowledge base on these topics (e.g. Marasi, 2014). As the openness of compensation is still a relatively young field of research, there is a lack of a solid and common theoretical framework. One of these is the fact that researchers see both sides of the coin, i.e. some authors approach the topic from a transparency/openness perspective (e.g. Bamberger & Belogolovski, 2017; Bamberger & Alterman, 2024; Stofberg et al, 2022), while others focus on the secrecy aspect (e.g. Alterman, Bamberger, Wang, Koopman, Belogolovsky & Shi, 2021; Holtzen, 2022; Montag-Smit & Smit, 2021; Smit & Montag-Smit, 2018). In

terms of content, some have extended the discussion to other salary components, e.g. perks and benefits (e.g. Cordon-Pozo, Vidal-Salazar, de la Torre-Ruiz & Gómez-Haro, 2023) or performance-related pay (see Fulmer et al., 2023), but most studies refer to the level of base salary or the pay grade itself (Colella, Paetzold, Zardkoohi & Wesson, 2007). The reason for this could be that employees attach more importance to base salary than other aspects of salary (such as perks and benefits), as it is related to an employee's decision to apply for a job or leave the organisation and is easily observable for salary comparisons (Marasi & Benett, 2016).

2.1. Salary communication approaches and aspects

Historically, the oldest approach to salary communication was the binary approach (secrecy/transparency, restriction/openness), which has more recently been replaced by the salary continuum approach. Burroughs (1982) was one of the first to suggest that salary communication could be viewed as a continuum. His approach is also known as the “pattern approach” as it distinguishes between red, orange, yellow and green organisations, with red organisations applying complete secrecy and green organisations complete transparency, while orange and yellow represent possible gradations between these extremes. The continuum view of pay communication is now widely recognised (Colella et al., 2007; Marasi & Bennett, 2016, Stofberg et al., 2022) and managers are encouraged to reconsider the use of traditional binary terminology in favour of a more accurate description of the nuanced ways in which organisations communicate compensation information (Holtzen, 2022). The continuum approach to pay communication can be represented visually as follows.

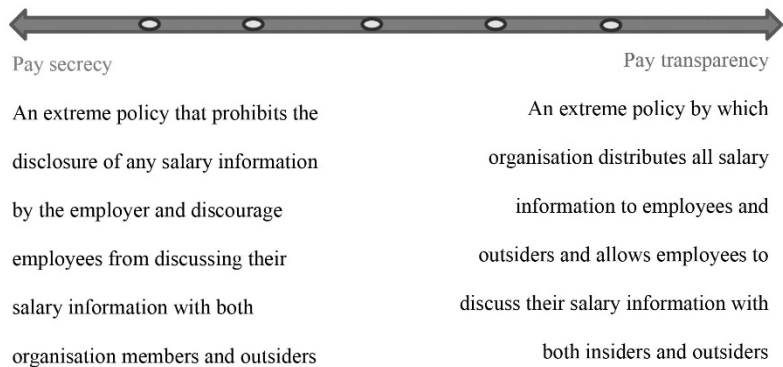


Figure 1 Continuum approach to salary communication

Based on: Marasi & Bennett, 2016; Stofberg et al., 2022

In addition to the above-mentioned approach to salary communication, the compensation literature distinguishes between communication emanating from

the organisation or employees (Holtzen, 2022) and what is actually communicated about salary. Therefore, salary communication can be defined as the organisational practise that determines if, when, how and what salary information (e.g. salary ranges, increases or averages; individual salary levels and/or the overall salary structure) is communicated to employees and possibly outsiders (Marasi & Benett, 2016; Stofberg et al., 2022). This distinction is important as research shows that the impact of pay transparency depends on what the transparency actually reveals (Gutierrez et al., 2022 after Arnold et al., 2024). Figure 2 shows a visual representation that summarises the key information that needs to be considered when designing salary communication policies.

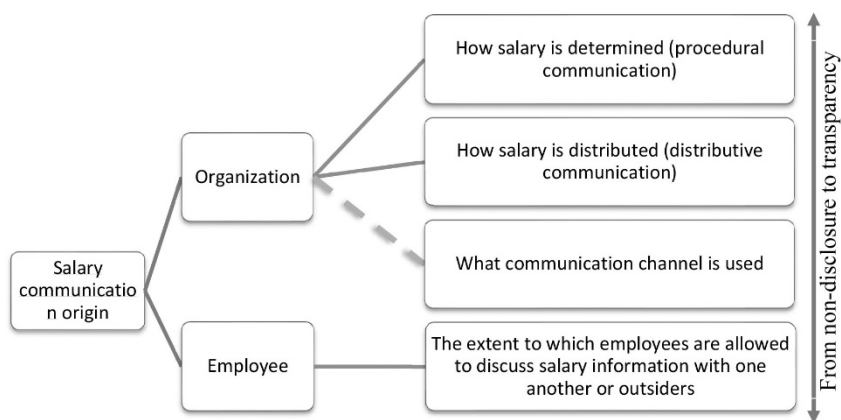


Figure 2 Key aspects of salary communication policy design regarding salary communication origin

Source: author's own work

Important aspects of organisational salary communication relate to information about how salary is determined in terms of procedures, e.g. in relation to conducting performance appraisals for performance-related pay, including the criteria considered for a salary increase or bonus (e.g. Fulmer et al., 2023; Holtzen, 2022). Although one might assume that this procedural aspect of salary communication is a strong candidate for transparency – as it would allow employees to better understand how they can progress both in terms of their salary and their career (e.g., Montag-Smit & Smit, 2021) – organisations would probably not provide much procedural transparency if their goal was to maintain their competitiveness in the labour market, as they would not want to disclose their compensation strategy to competitors (Alterman et al., 2021). Nevertheless, organisations may have greater scope to dictate their own procedural pay transparency policies, as opposed to more strictly regulated dimensions of pay

transparency, such as distributive pay transparency or restrictions on pay communication (Arnold et al., 2024).

Distributive communication refers to how much information about actual compensation the company discloses to its employees so that they can make comparisons with each other (Arnold & Fulmer, 2018). The low end of pay secrecy reflects full transparency, where companies regularly publish the names of their employees with associated salary information; with a fully secretive secrecy policy, employees only have information about their own compensation, while at a medium level, companies may provide aggregate information about employee compensation (e.g., ranges) (Smit & Montag-Smit, 2018). Employer disclosure of individual or aggregate pay levels is the most controversial of all three forms of pay transparency (Bamberger & Alterman, 2024), which is why organisations disclose pay ranges rather than specific figures (see CIPD, 2024 or WAW, 2012).

From the employee's perspective, communication can also vary on a continuum from complete restriction to complete openness or transparency, reflecting the extent to which employees are formally or informally discouraged from disclosing and discussing individual salary information with others (Arnold & Fulmer, 2018). In the case of the restrictive mode, salary communication is prohibited by formal policies that threaten sanctions and by organisational norms (reinforced by managers) that discourage conversations about compensation (Colella et al., 2007), which can even be operationalised through non-disclosure agreements (NDAs). From the employees' perspective, pay secrecy is an information deficit that leads to uncertainty among employees and an asymmetric level of information between employees and companies, resulting in potential suboptimality in the labour market (see Colella et al, 2007).

A somewhat neglected aspect of salary communication relates to the channel through which employees are informed about salaries. The communication medium can range from face-to-face to impersonal (Fulmer & Chen, 2014), but the most effective way is usually face-to-face interpersonal communication (Meng, Lu & Shen, 2023). In terms of compensation and benefits, this has traditionally been handled by line managers, as certain HR activities have been transferred internally from HR departments to line managers (Torrington, Hall, Atkinson & Taylor, 2020). However, this approach also has disadvantages, namely the need to spend a lot of time, labour, material and financial resources, but also to delay the work at hand if there is not enough time to weigh up the pros and cons (Meng et al., 2023). Other media of face-to-face salary communication tend to include formalised channels such as training and workshops, while impersonal channels are mostly written in nature, e.g. written manuals, handbooks or internal information systems (see Fulmer & Chen, 2014). Although studies are limited, the available research shows that most face-to-face channels were rated favourably by employees, with managers and HR staff perceived as the most effective channels of pay communication (e.g. WAW, 2012).

2.2. Effects of salary communication policy

Due to the changing dynamics of the labour market, one of the top priorities for employers is to retain qualified and high-performing employees. This is partly due to the high cost of replacing employees and partly because changing employee demographics and economic circumstances are forcing employers to keep an eye on the most important factors for employee retention (Stofberg et al, 2022). The basis for employee commitment to the organisation is the trust that an employee can gain when they perceive the fairness and support they receive as positive (Žiković, 2020). More specifically, affective organisational commitment has the strongest influence on turnover intention and actual turnover, and this form of commitment correlates most strongly with perceived organisational support and fairness (Žiković, 2020). In the context of salary communication policy, Ed Lawler's research shows "that employees who do not know what others earn overestimate their colleagues' pay" which leads to dissatisfaction (Risher, 2014) and ultimately to voluntary turnover, as employees doubt that they are being treated fairly by their employers, leading them to consider employment alternatives (Altermann et al. 2021).

In the case of work engagement, which is one of the most important employee attitudes affecting job performance, research conducted by Hay clearly shows that the effectiveness of compensation communication strengthens employee engagement and improves performance (Risher, 2014). In addition, a comprehensive PayScale study with more than 71,000 employees in the sample analysed the relationship between pay and work engagement. The results show that one of the most important predictors of employee sentiment, including 'satisfaction' and 'intention to leave'," is an organisation's ability to communicate clearly about pay (Smith, 2015). The same study found that an open and honest discussion about salary was more important than promotion opportunities, appreciation of the employer and future enthusiasm for the organisation, all of which are typically considered measures of workplace engagement (Smith, 2015).

However, research inconsistently associates a secretive pay policy with turnover, intentions to quit and the perception that employers are hiding information/doing something unethical (Smit & Montag-Smit, 2018). In fact, increased transparency may also have negative effects. Among the negative effects of transparency, competitiveness, workplace deviance, envy and conflict, conflict with employees' privacy preferences, and not helping others stand out (Arnold et al., 2024; Bamberger & Belogolovsky, 2017; Montag-Smit & Smit, 2021; Smit & Montag-Smit, 2018) and may contribute to lower work engagement and turnover intentions or absenteeism. Interestingly, an older study has shown that employees who are rated higher in terms of job performance want to keep salary information secret (Schuster & Coletti, 1973). It should also be noted that greater pay transparency increases disclosure and therefore the potential for legal action by disgruntled employees (Avdul et al., 2024), which may have significant reputational and economic costs for organisations. There is clearly a tension between this secrecy and transparency and the associated implications. This paper

therefore addresses these issues by examining the relationship between key aspects of pay policy (main approach and predominant communication channels) and selected employee attitudes (retention, absenteeism, work engagement) in a sample of medium and large organisations in relation to a somewhat neglected aspect of pay communication, i.e. the manner or channel of communicating information about pay to employees.

3. RESEARCH METHODS

3.1. Research instrument and measures

A comprehensive questionnaire was developed to collect data on reward practises in general. The instrument was developed as part of a scientific project funded by the National Science Foundation to examine the state of development of various aspects of compensation systems, including, but not limited to, base pay practises, performance-based pay, perquisites and benefits, and compensation strategy and policy (which includes pay communications). Most of the key questions on the various compensation management practises were either created by the authors or taken from internal Chartered Institute for Personnel Development materials provided by project members who actively participated in the CIPD's compensation management methodology workshop. The questionnaire took on average between 30 and 45 minutes to complete. The measures used in the study are predominantly factual in nature, as explained below.

The communication policy variables were nominal or ordinal and included two key measures: (a) channel of salary communication (4 categories available – seminars and workshops; supervisors/managers; written and/or online information source; no source at all), (b) policy of salary communication (5 levels – from fully secret to fully transparent). The behavioural indicators/attitudes were collected separately for two different categories of employees, i.e. professionals (experts) and administrative staff. More specifically, the HR experts were asked to provide information on the observed trends in the following areas: (a) work engagement, (b) employee retention, (c) absenteeism. The first two variables were treated as nominal variables with two categories (e.g. 0 – no significant problems with employee retention/engagement in the organisation, 1 – problems with employee retention/engagement detected in the organisation). Finally, absenteeism rates were constructed as an open-ended question, i.e. stated by respondents as a percentage and then recoded into binary variables (0 – rate lower than 5%, 1 – rate higher than 5%). Regarding other variables, it should be mentioned that data was collected on independent characteristics of the companies (e.g. size by number of employees, year of foundation, sector, form of ownership), almost all of which were open-ended with the exception of the form of ownership.

3.2. Sample and data collection procedure

The units of analysis were organisations, especially large and medium-sized ones, as they were expected to have more sophisticated HRM practises in general and reward practises in particular. Organisations are considered medium if they have between 50 and 250 employees and large if they have more than 250 employees (National Accounting Act, 2024). However, it is assumed that larger organisations have more sophisticated HRM practises (Kotey & Sheridan, 2004) and in particular reward practises (Kallenberg & van Buren, 1996). As organisations with a larger workforce tend to offer more competitive and structured compensation packages, companies with more than 100 employees were selected as potential study participants. The Croatian Chamber of Commerce (CCC) database, which excludes the banking and financial sector, was used to identify potential respondents: there were about 1700 companies with more than 100 employees, of which 386 companies had more than 250 employees.

As soon as the population identification phase was completed, an online questionnaire was created and sent to the HR managers of all companies in the above-mentioned database in the first half of 2017. The call was accompanied by a cover letter from the project manager explaining the details of the project and guaranteeing anonymity. Formal electronic reminders were sent out twice, followed by personal reminders via the project members' professional networks. After the 61st questionnaire was received in October, the data collection phase was finalised. In terms of industry, both manufacturing and service sector companies are almost equally represented in the sample (51.70% and 48.30%, respectively), as are companies employing between 100-250 and those employing more than 250 employees (50% each). Private domestic companies make up more than half of the sample, with the majority stating that they are profitable (70.70%). Companies founded after 1990 are slightly more represented in the sample (54.40%) as are limited liability companies (65.50%).

3.3. Data analysis

The statistical analysis of the primary data was performed with IBM SPSS 29.0. As far as the statistical methods are concerned, in addition to descriptive statistics, the chi-square test was also used in the subsequent data analysis.

4. RESEARCH RESULTS AND DISCUSSION

The research findings are divided into three parts – firstly, the organisations' general approach to pay communication policy is presented in terms of the continuum of secrecy and transparency, then the predominant mechanisms or channels of pay communication are presented and finally the relationship between selected behavioural outcomes and pay communication policy is presented.

Table 1 Organisations' general approach to salary communication policy in terms of the secrecy-transparency continuum (% of companies)

Salary policy	%
The organisation actively publishes salary policies, practises and outcomes with the intention of making <i>all information</i> about pay grades as transparent as possible for all employees.	8.47
The organisation actively publishes salary policies, practises and results with the intention of making all salary information as transparent as possible <i>but does not disclose certain information about the salaries of senior executives</i> to all employees.	23.73
The organisation allows salary policies, practises and results to be available to all employees, <i>but does not actively promote this availability</i> .	8.47
The organisation prefers to keep details of remuneration policies, practises and results confidential, but <i>will make relevant remuneration information available to employees on request in certain circumstances</i> .	33.90
The organisation believes that remuneration policies, practises and results should be a private matter between the individual employee and the organisation but <i>will comply with a request for relevant remuneration information if permitted by law</i> .	25.42

As can be seen from the table, the results of the study show that secrecy prevails in medium and large Croatian companies. Just over 55% of companies believe that salaries should be kept confidential and only disclosed at the request of the employee and when regulations allow. At the other end of the continuum, a small percentage of companies surveyed actively and transparently disclose as much information about salaries. Despite the attention that transparency attracts, this research finding is not unexpected, as complete pay transparency is not common; on the contrary, studies suggest that such (pay secrecy) agreements are widespread in the private sector. For example, almost half of all employees in the US are strongly discouraged or contractually prohibited from discussing their salary with colleagues (Altermann et al., 2021; IWPR, 2011 after Smit-Montag-Smit, 2018). A recent survey of 478 managers in the US found that “only 14% of organisations aim for pay transparency that goes beyond a “moderate” level and highlights individual pay rates, range and how pay is determined” (Mercer/WAW, 2020).

But employees themselves may also favour confidentiality – for example, among employees in the US, the taboo nature of salary discussions is a deeply held belief that contributes to an environment in which the disclosure of salary information is often shrouded in secrecy (Holtzen, 2022). A recent Croatian study points in a similar direction, as a comparison between private and public sector employees shows that private sector employees have a more negative attitude towards pay transparency, a lower preference for pay transparency and a lower willingness to disclose their own remuneration than public sector employees (Načinović Braje & Kušen, 2022). The second aspect analysed in the study was the communication channels used to disclose salary information to employees. This is shown in table 2.

Table 2 Channels of salary communication in sampled organizations (% of companies)

Method of communication regarding salary determination	%
The organisation holds training courses, seminars and workshops in which we explain to employees how the salary levels for their jobs are determined	9.84
Supervisors/managers explain to employees how pay grades are determined for their jobs	55.74
The organisation informs employees in writing and/or online about how salary levels are determined	34.43
None of the above	16.39

Line managers appear to be the dominant communication channel when it comes to salary policy and passing on information to subordinates (55.74% of companies). While a third of the companies surveyed use written and/or online information (probably via some kind of internal information system), only a handful use training and workshops that would allow for active employee participation. A somewhat comparable study conducted by WorldAtWork in 2012 with a sample of approximately 1000 salary professionals also found that line managers were the most likely to share salary information (almost 80%), followed by more impersonal forms such as company websites and memos (WAW, 2012).

Questions about pay levels and pay rises are best dealt with by employees' line managers, although managers may also seek support and advice from HR in such situations (CIPD, 2024; Torrington et al., 2020). As managers are at the heart of an organisation and know how employees are rewarded for helping the company achieve its goals – which is especially true for issues relating to employee pay progression (CIPD, 2024) – it is of paramount importance that managers are trained accordingly. However, research shows exactly the opposite. For example, the aforementioned study by Mercer/WAW (2020) shows that 60% of managers are not trained to communicate salary information effectively. Furthermore, due to a lack of training in conducting appraisals, managers show a particular reluctance when it comes to making decisions related to performance appraisals, such as evaluating performance that could ultimately lead to salary increases (e.g. Trost, 2017). Other studies also confirm that the majority of frontline managers are not properly trained to deal with the important salary information they are expected to communicate (see Risher, 2014; Ritter, 2020). To examine the prevalence of a particular pay communication channel in a particular pay policy environment (on a continuum of secrecy and transparency), a cross-tabulation of these two variables was created, as shown below.

Table 3 Cross-tabulation of transparency-secrecy continuum and salary communication channels (% of organizations)

Communication channel	Transparency		Secrecy		
	P1	P2	P3	P4	P5
Courses/ workshops	3.28%	6.56%	0%	0%	0%
Supervisors	1.64%	11.48%	6.56%	21.32%	14.76%
Written instructions	6.56%	16.40%	1.64%	8.20%	1.64%
None of the above	0%	1.64%	0%	3.28%	8.20%

The research findings suggest that the policy of salary secrecy appears to be related to line managers as potential “gatekeepers” of salary information. As Risher (2014) explains, the emphasis on confidentiality goes back decades to the earliest factories – it was a way for managers to maintain control and, as Burroughs (1982) points out, managers and organisations generally support confidentiality because it minimises social comparisons and destructive competition among employees. Another possible explanation for this particular outcome could be that these confidentiality practises allow organisations to remain flexible in setting compensation for individual employees while maximising management discretion in allocating compensation (Altermann et al., 2021). Furthermore, studies suggest that managers themselves may not have access to or knowledge of all compensation issues, unlike senior executives who have direct insight into corporate strategy (e.g. Mercer/WAW, 2020).

In terms of transparency, written instructions dominate as the main mechanism for communicating salary information and, interestingly, only transparent organisations use workshops and seminars as a means of communicating salary information. However, this is not a surprising result as transparent organisations are expected to use very engaging methods of salary communication as they give their employees the opportunity to actively participate in knowledge transfer. The third and final aspect examined was the relationship between salary communication channels and employee behavioural outcomes, as shown in table 4.

Table 4 The relationship between salary communication channels and employee behavioral outcomes

Behavioral outcome/ attitude	Communication channel	Employee category	Value (Pearson Chi-sq)	Asymptotic significance
Employee absenteeism	No channel	Professional	4.965	0.026
Employee retention	No channel	Administrative	6.004	0.014
	Managers	Administrative	5.230	0.022

Several important conclusions can be drawn from the results presented in the table above. Firstly, organisations that have no pay communication channel at

all report more problems with absenteeism among professional staff ($\chi=4.965$, $p=0.026$) but no problems with retaining administrative staff ($\chi=6.004$, $p=0.014$). Secondly, organisations in which managers do not act as a salary communication channel have *fewer problems in retaining administrative staff* ($\chi=5.230$, $p=0.022$). As already shown in table 3, companies pursuing salary secrecy policy are the ones where either manager serve as a dominant channel of salary information distribution or there is no official channel at all. Taken all together, these results might imply that administrative staff are less affected by the fact that salaries generally are not communicated. The reason for this may lie, for example, in the fact that the reward system for administrative staff is generally simple and usually consists of a time salary that reflects the complexity of the task rather than individual performance. Salary increases might be dependent on years of service but facts alike these are usually well-known facts available in collective agreements or internal work regulations.

On the other hand, professional staff usually have more comprehensive reward packages which may include merit-based salary increases, regular lump-sum bonuses, as well as other individual or group-based incentives. Absenteeism rates of professional staff seem to be higher in organizations where there are no salary communication channels, indicating a possible dissatisfaction with this particular compensation policy, as the lack of clear information may create scepticism among employees and force them to make assumptions about what the compensation system looks like, how to move up in the organisation or how much their colleagues earn.

The results clearly show the complexity of salary communication policy, which is quickly moving to the forefront of compensation issues in HR and could soon become a critical issue in compensation management. As these results confirm, it is characterised by tensions and paradoxes that will put pressure on companies to rethink their compensation strategies and policies in the near future. When designing compensation policies, organisations should bear in mind that external pressures from both the legal environment and the expectations of Millennials and Gen Z will not allow them to introduce communication policies that “leaves employees completely in the dark” (Risher, 2014). At the same time, when introducing more transparent policies, compensation managers should bear in mind that these are likely to benefit the interests of a certain group of stakeholders (e.g. women or minorities), but at the same time may have a negative impact on another group of parameters that are of primary importance to other stakeholders (Bamberger & Alterman, 2024).

The practical implication of the study is at least twofold. First, even though the majority of organisations in the sample have a pay communication policy based on secrecy, with managers acting as the dominant communication channel in secretive organisations, the changing external landscape, characterised by both the legal framework and the expectations of younger generations of employees, leaves no room for maintaining the old methods of pay communication. More specifically, the policy of procedural salary transparency should be considered first when thinking about redesigning this policy. Publishing specific salary procedures, such as job evaluation and the criteria that must be met to move

up the salary structure, is a good candidate for a more transparent approach to salary communication, as it does not publish specific numbers, but still provides information that helps employees better understand basic salary information. Sharing information with employees can lead to a strong affective bond with the organisation, as sharing salary information builds trust and makes employees feel that they are being treated fairly (see Žiković, 2020).

The second important implication arises from the finding that managers in secretive organisations serve as the primary channel of communication and may therefore act as “gatekeepers” rather than disseminators. Even though managers are regularly portrayed as those who enable a personal touch in the dissemination of salary information (Fulmer & Chen, 2014), it should be recognised that managers themselves may not be sufficiently trained to provide high quality performance and salary management information (Ritter, 2020), which may result in low accuracy of salary information (Fulmer & Chen, 2014). Furthermore, managers are often autonomous in their pay decisions and, coupled with a lack of or adequate training, pay increases can sometimes be linked to questionable performance evaluations (Risher, 2014), leading to employee dissatisfaction. As a result, there is a need for a more systematic approach to training managers in the area of salary communication – in general and in relation to specific elements of the compensation system such as performance appraisals and appraisal interviews.

Limitations and recommendations for future studies. The study is not without limitations, which are primarily reflected in the sample size and the exclusion of certain sectors from the sample which limit the representativeness of the sample. Other limitations include the cross-sectional nature of the data and the fact that only one respondent per organisation provided all the information. To minimise the effects of single-method bias that could arise from only one respondent providing data about the company, certain steps were taken prior to data collection. To increase the accuracy of the responses, HR managers/experts were assured anonymity and, in addition, the expertise of our respondents is very high (in most cases they were members of the company's HR team). Future studies should attempt to cover larger number of organizations as well as to include all businesses. In addition, future studies may include other data sources (e.g. secondary documents related to salary market studies), and especially other groups of stakeholders (e.g. employees). Despite the limitations, this study addresses a rather unexplored aspect of communication policy – the channels or modes of salary communication – and offers insights that should be further (re)analysed, especially in view of the EU directive that will soon be transposed into the national legal framework and thus become mandatory for small, medium and large companies.

5. CONCLUSION

This paper analyses the various outcomes of pay communication activities carried out by Croatian companies with regard to the most important indicators of employee attitudes resulting from the reward system – work engagement,

employee retention and absenteeism. The research found that salary information is predominantly communicated verbally to employees by a line manager, a third of organisations use formal written channels, while a negligible proportion of organisations use internal workshops and seminars. In addition, more than half of organisations have a policy of confidentiality or non-disclosure of salary information, while less than a tenth of organisations actively publish all salary range information to make it as accessible as possible to all employees. Transparent companies rely on written instructions and documents to share salary information, while companies that are orientated towards salary confidentiality use line managers as the primary source of information.

Regarding the relationship between communication policies and various indicators of employee motivation, the research findings show somewhat contradictory results – for example, it appears that (1) organisations in which managers do not disclose information about salaries to subordinates have fewer problems with retaining administrative staff, (2) more problems with absenteeism of professionals but less with retaining administrative staff are reported by organisations that do not have a salary communication channel at all. The results clearly show the complexity of salary communication policy, which is quickly coming to the forefront of compensation issues in HR and may soon become a critical issue in compensation management. As these results confirm, it is characterised by tensions and paradoxes that are putting pressure on companies to rethink their compensation strategies and policies in the near future.

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**KOMUNIKACIJSKA POLITIKA PLAĆA I NJEZIN
UTJECAJ NA STAVOVE ZAPOSLENIKA****Sažetak**

Pojačani vanjski pritisak za većom transparentnošću plaća posljednjih godina predstavlja velike izazove za poslodavce. Iako politika veće transparentnosti zasigurno generira mnoge pozitivne rezultate, ona može imati različite negativne posljedice. U ovom se radu ispituju različiti rezultati komunikacijskih mjera o plaćama koje provode hrvatska poduzeća s obzirom na ključne pokazatelje stava zaposlenika koji proizlaze iz sustava nagrađivanja – radni angažman, zadržavanje zaposlenika i izostanak s posla. Istraživanje je provedeno anketnim upitnikom na uzorku od 61 srednjeg i velikog poduzeća, a pokazalo je da podatke o plaći većinom usmeno iznose zaposlenicima neposredno nadređeni menadžeri. Više od polovine organizacija ima politiku povjerljivosti ili tajnosti plaće, dok manje od desetine organizacija aktivno objavljuje sve informacije o rasponu plaća kako bi bile što dostupnije svim zaposlenicima. U pogledu odnosa između komunikacijskih politika i različitih stavova zaposlenika, nalazi istraživanja pokazuju razlike u rezultatima s obzirom na kategoriju zaposlenika.

Ključne riječi: *upravljanje nagradama i beneficijama, komunikacija plaća, transparentnost plaća, tajnost plaća, stavovi zaposlenika.*

JEL klasifikacija: *J31, J41, M52, M54.*