

When companies publish their salaries, women win

By Julia Carpenter, [CNN Business](#)

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When companies are willing to make salary information public, the data can often expose existing inequalities or gaps between employees of different backgrounds.

EXECUTIVE BRIEF

A recent study shows pay transparency leads to more women being promoted within companies, and more women being hired.

This could mean pay transparency contributes to an overall increase in employee gender diversity.

Employees could be drawn to companies that promote these transparent values.

But it can also have a more long-lasting effect: increasing the number of women the company hires.

A recent study examined trends in employment and pay at Danish companies before and after a 2006 law was passed that required firms there to disclose gender wage statistics. In addition to seeing a narrowing of the overall wage gap at the firms, researchers found pay transparency also led to more women being promoted, as well as more women hires. This, researchers say, could mean pay transparency contributes to an overall increase in employee gender diversity.

"You are more willing to apply and work for a firm where you know your work is equally recognized, where you're paid in a fair way, as opposed to a firm where you're not," says Elena Simintzi, an assistant professor in finance at the University of North Carolina Kenan-Flagler Business School.

Finessing a 'pay brand'

Pay transparency also forces employers to confront another aspect of their overall appeal to potential job candidates, says Lydia Frank, vice president of content strategy at PayScale. While every company has a brand facing consumers, there's

also a "pay brand" it must consider when marketing itself to prospective employees.

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"You're focusing on 'We have great benefits! You can bring dogs to work!' and not enough maybe on 'We're transparent about our pay practices,'" she says.



Every single individual wants to belong to a place where they feel their work is equally recognized, where the workplace is fair."

ELENA SIMINTZI, ASSISTANT PROFESSOR IN FINANCE AT THE UNIVERSITY OF NORTH CAROLINA
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This "pay brand" can play a big role in shaping a company's reputation within an industry, Frank says, which in turn drives diversity and inclusion efforts.

For a lot of employees, she says, pay transparency is an affirmation of company values. If a company claims to value innovation, for example, then it should also value paying talent fairly, in order to encourage that innovation.

"A lot of companies have done some great work in really showing up to say 'These are our core values and we're going to be vocal about them and stand up for our employees and really think about employees first,'" Frank says. "I think companies need to think about how that extends to compensation."

Retaining and recruiting

This approach isn't only helpful in recruiting employees — it's key to retaining them, too.

Studies show that pay transparency can enhance employee productivity and even lead to more women being promoted within a company. Frank says pay transparency reaffirms their commitment to a company.

"I think often organizations are concerned that they have to pay top dollar to retain the employees, when really if they spent more time thinking about transparency, thinking about ensuring pay equity, thinking about how they're communicating all of that to employees, and ensuring that they're bought in on the compensation approach — they don't have to pay top of market," Frank says.



If they know what they're making relative to their peers — and they feel good about that number — then female employees may be more willing to put their faith in the company's leadership.

"Every single individual wants to belong to a place where they feel their work is equally recognized, where the workplace is fair," Simintzi says. "So perhaps we observe an increase in the supply of women who are willing now to work for this company."

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