

Pay information and employees' perception of organizational support: the mediating role of pay satisfaction

Employee
Relations: The
International
Journal

161

Received 19 July 2023
Revised 13 December 2023
8 May 2024
5 August 2024
Accepted 5 August 2024

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Abstract

Purpose – Pay communication policies continue to garner attention in human resource management. This article draws on social exchange theory to examine the consequences of different types of pay information on employees' perceived organizational support (POS). Similarly, it draws on the relational model to examine whether pay level satisfaction and satisfaction with variable pay and pay raise procedures mediate the relationships between the different types of pay information and employee POS.

Design/methodology/approach – The hypothesized model was tested using structural equation modeling in a sample of 695 employees of Spanish firms.

Findings – The five types of pay information considered in this study did not have a direct effect on employee POS. Furthermore, distributive base pay information and distributive base pay information on other employees in the firm and in the industry had an indirect influence on POS through the multiple mediating effect of pay comparison and pay level satisfaction. Finally, procedural variable pay and procedural pay raise information were indirectly related to employee POS through satisfaction with pay procedures.

Originality/value – This study highlights the importance of considering the type of pay information provided to employees and the need to understand the mediating variables that explain how each type of pay information can influence employees' POS.

Keywords Pay, Pay information, Perceived organizational support, Pay level satisfaction, Satisfaction with pay procedure, Pay comparison

Paper type Research paper

Introduction

Employees' perception of organizational support (POS) has been found to be positively related to their job satisfaction, positive mood, and reduced strains like emotional exhaustion and burnout (Kurtessis *et al.*, 2017; Rhoades and Eisenberger, 2002). The importance of assessing employees' POS has thus gained critical significance in recent years because many employees

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We thank Edenred SA for his support in the realization of this research. The authors want to thank the members of the research group, "Innovation, Sustainability and Business Development" (SEJ-481), for their help and comments.

Funding: This work was supported by the Andalusian Government under grant number A-SEJ-192-UGR20 and grant number P20_00568, Spanish Government, Ministry of Economy and Competitiveness under grant number ECO2017-88222-P and the University of Granada under grant number PP2016-PJ104. Funding for language editing was received from the Research Grant Programme of Faculty of Economics and Business (UGR). Funding for open access charge was received from the University of Granada/CBUA.



Employee Relations: The
International Journal
Vol. 46 No. 9, 2024
pp. 161-177
Emerald Publishing Limited
0142-5455
DOI 10.1108/ER-07-2023-0356

are currently reevaluating their relationships with their organizations. Phenomena such as “quiet quitting,” where employees feel undervalued and unappreciated, lead to a decrease in their commitment to the organization, minimal engagement in the tasks outlined in their job descriptions, and a reluctance to take on responsibilities. According to June 2023 Gallup data, 59% of global workers report not being engaged at work, and it is estimated that lost productivity from quiet quitting could account for \$8.8tn globally, or 9.9% of global gross domestic product (Gallup, 2023). As POS influences the behaviors specified in employees’ stated job responsibilities and, even more so, in activities that go beyond standard performance (Kurtessis *et al.*, 2017), it is especially important for employers to pay attention to employees’ POS to prevent phenomena like quiet quitting (Atalay and Dağistan, 2023).

Among the different factors that can influence POS, the impact of rewards may depend on how employees perceive them (Rhoades and Eisenberger, 2002). These perceptions, in turn, can be shaped by the information that employees receive related to such rewards (Sweins and Kalmi, 2008). For this reason, in this study, we paid attention to pay communication, which is “the organizational practice that determines if, when, how, and which pay information is communicated to employees and possibly outsiders” (Marasi and Bennett, 2016, p. 51). Research results on pay communication are far from consistent: Some studies have shown positive effects of providing pay information to employees (e.g. Marasi *et al.*, 2018), while others have shown negative effects (e.g. Bamberger and Belogolovsky, 2017). In order to explain those contradictory results, some authors have stated that not only quantitative pay communication but qualitative, such as the type of pay information provided, should be analyzed (e.g. Marasi and Bennett, 2016). Accordingly, following SimanTov-Nachlieli and Bamberger (2021) and Holtzen (2022), who distinguished procedural pay transparency from distributive pay transparency, this study analyzed the effect of five types of pay information that organizations can provide to their employees as a result of organizational pay communication practices. Three were related to distributive or outcome pay (i.e. information on own base pay, the base pay of other employees in the firm, and that of other employees in the industry) and two to procedural pay transparency (i.e. variable pay and pay raise information). Drawing on social exchange theory (Blau, 1964), we analyzed how such information influences employees’ POS.

Additionally, regarding the importance that pay communication can have on how employees perceive their rewards (Sweins and Kalmi, 2008), we hypothesized that employee pay level satisfaction, defined as “an individual’s satisfaction with his or her base pay” (Miceli and Lane, 1991, p. 245), and satisfaction with pay procedures, specifically satisfaction with how pay raises and variable pay are determined, could mediate these relationships.

Thus, this paper contributes to the literature on pay communication by considering the individual effects of the different types of pay information on employee POS and by clarifying the mediating mechanisms that explain how pay information can influence employee POS.

Pay communication

Organizations can adopt different pay communication policies, ranging from pay secrecy, that is (at its most extreme level), avoiding providing any pay information by the organization and even forbidding employees from discussing their pay information among themselves and with outsiders; to a pay openness policy, where (at its most extreme level) organizations allow employees to discuss their pay information among themselves and with outsiders, and the organization also provides complete pay information to employees and outsiders (Marasi and Bennet, 2016).

Since the seminal work on pay secrecy by Lawler (1965), several studies have reviewed and summarized the effects of pay communication (e.g. Colella *et al.*, 2007; Marasi and Bennett, 2016; Brown *et al.*, 2022). Nevertheless, there is still debate whether pay information should be provided.

Defenders of a pay openness policy adduce benefits such as enhancing employees' perceptions of justice (Marasi *et al.*, 2018; Stofberg *et al.*, 2022). Specifically, the absence of complete pay information can compromise the accuracy of pay comparisons. In this sense, previous studies have shown that when managers are faced with a lack of pay information, they tend to underestimate superiors' pay and overestimate subordinates' and peers' pay (Lawler, 1965, 1967, 1972; Mahoney and Weitzel, 1978; Milkovich and Anderson, 1972). Additionally, a pay openness policy can foster work motivation by strengthening the link between pay and performance and can optimize the functioning of the labor market (Colella *et al.*, 2007).

Previous research has confirmed the positive influence of pay communication on pay satisfaction (Day, 2011), benefit satisfaction and work engagement (Mulvey *et al.*, 2002), and work performance (Bamberger and Belogolovsky, 2010). More recently, Marasi *et al.* (2018) found that pay openness is associated with less workplace deviance and more organizational citizenship behaviors on the part of the employees, and SimanTov-Nachlieli and Bamberger (2021) found that pay transparency is inversely related to counterproductive workplace behaviors. Similarly, Stofberg *et al.* (2022) found a weak but significant negative correlation between pay transparency and job turnover intention. Finally, Rodrigue and Cox (2024) found that pay secrecy positively influences turnover intentions through the double-mediation effect of organizational trust with organizational cynicism, organizational disidentification, and job embeddedness.

However, pay openness may also be detrimental. First, it appears to make it harder to maintain a calm, peaceful workplace free of conflict (Gomez-Mejia and Balkin, 1992). Second, pay openness may lead employees to perceive a lack of privacy, which could impair their individual performance, satisfaction, or commitment (Sundstrom *et al.*, 1980). Finally, Wong *et al.* (2023) found that although pay transparency can enhance variable pay compression, this may lead many employees to request an equity-based adjustment in their rewards based on some alternative form of remuneration, such as non-monetary benefits or skill and career development.

To explain this lack of definitive conclusions, some scholars (e.g. SimanTov-Nachlieli and Bamberger, 2021; Brown *et al.*, 2022) have proposed that previous studies had not considered the levels of information of different components of employee compensation programs and their respective effects on employee perceptions, attitudes, or behaviors. Accordingly, this study responds to this call by examining the quantity and nature of pay information provided to employees.

Specifically, by following the classification proposed by Holtzen (2022), we focus on three types of pay information that are related to the received outcome, namely distributive pay information: own base pay, base pay of others in the firm, and base pay of other employees in the industry. For base pay, we refer to the direct monetary rewards that employees receive as part of their compensation, comprising fixed and variable pay.

Additionally, we analyze two types of pay information that are related to how pay decisions are made, namely procedural pay information (Holtzen, 2022). Specifically, procedural variable pay information refers to details about the criteria used to determine bonuses, incentives, and commissions; and procedural pay raise information is related to the ways in which pay increases are obtained.

Hypotheses

The direct effect of pay information on employee POS

According to social exchange theory (Blau, 1964), employee-organization relations can be described as quid pro quo, where one party offers a favor or advantage in exchange for something from the other party, with the primary concern being an exchange of mutual support. In this sense, two types of exchanges can be identified (Blau, 1964). While economic exchanges are contractual in character and are defined by a clearly specified schedule of benefits and reciprocations, social exchanges are characterized by a deeper level of investment in which unspecified benefits and

reciprocations are exchanged over a long-term, open-ended time frame (Hom *et al.*, 2009). These benefits and reciprocations tend to be unspecified or intangible and include trust, commitment, psychological contract fulfillment, and perceived support (Colquitt *et al.*, 2014).

In this regard, organizational support theory draws on the social exchange perspective to explain employee–organization relationships. POS has been defined as general employee perceptions of the extent to which the organization values their contributions and cares about their well-being (Eisenberger *et al.*, 1986). Favorable or unfavorable treatment received by employees indicates the organization’s benevolent or malevolent orientation toward them. Upon experiencing support, individuals feel an obligation to reciprocate (Eisenberger *et al.*, 2001). Hence, according to organizational support theory, employees reciprocate POS by building commitment (Eisenberger *et al.*, 1986), and in the final stage commitment leads to improved job performance (Randall *et al.*, 1999).

When organizations provide employees with information regarding decisions that affect them, they will perceive such treatment as a sign that the organization values and respects its employees (Colquitt *et al.*, 2013), particularly when this information is provided voluntarily (Blau, 1964; Eisenberger *et al.*, 1997). Hence, as employees’ receipt of adequate information and explanations on decision-making from organizational agents has been shown to contribute to a higher level of POS (Cheung, 2013), it should be expected that the provision of any type of pay information contributes to employees’ POS.

- H1. There is a positive relationship between (a) distributive base pay information, (b) distributive base pay information on other employees in the firm, (c) distributive base pay information on other employees in the industry, (d) procedural variable pay information, and (e) procedural pay raise information, and employee POS.

The mediating effect of pay level satisfaction

As in previous studies (e.g. Williams *et al.*, 2008), we analyzed two dimensions of pay satisfaction, satisfaction with the amount received (pay level satisfaction) and satisfaction with how pay is determined (satisfaction with pay procedures).

First, we examined the mediating effect of pay level satisfaction, which has been shown to have a positive effect on employee POS (Eisenberger *et al.*, 1986; Williams *et al.*, 2008). In this sense, previous studies have shown how the relationship between pay information and pay level satisfaction can be explained by the effect that this information has about the development of employees’ perception of equity (e.g. Day, 2012). According to equity theory (Adams, 1965), equity is perceived when there is a balance between what the individual offers the organization and what they receive from it (e.g. salary, benefits, or recognition), by comparing what they receive with their own contribution and then by comparing this rate with the outcome and contributions of others. Thus, pay comparisons in which employees believe that their pay compares favorably with that of referent others (Williams *et al.*, 2008) have been used as a direct measure of the extent to which employees believe that their pay is equitable (Sweeney *et al.*, 1990), and have been shown to be related to pay level satisfaction (Williams *et al.*, 2008).

When employees assess and compare their pay, they use the information that they have about their own performance and pay, as well as the information available about their reference groups (Van den Bos *et al.*, 1998). To have information on these aspects allows employees to effectively assess the equity of the received reward (Van de Bos *et al.*, 1998). Providing base pay information and information about the pay of other referents can influence how employees compare their pay (Lawler, 1965). Otherwise, the absence of pay information can compromise the accuracy of the pay comparison. In this sense, previous studies have shown that when managers faced with a lack of pay information, they tend to underestimate superior’ pay and overestimate subordinates’ and peers’ pay (Lawler, 1965, 1967, 1972).

However, by providing such pay information, an organization can influence the references employees use for comparison and avoid undesirable comparisons (Bartol and Locke, 2000).

Moreover, in this study, we propose that the provision of pay information can indeed influence employees' perceptions of equity, positively influencing pay comparisons regardless of the actual pay position. We are basing our argument on the relational model proposed by Tyler (1994), which states that equity perceptions can be based on employees' relational concerns. Relational concerns assume that people are predisposed to belonging to a social group and are highly attentive to signs and symbols that communicate information about their position within that group (Tyler, 1994). Tyler (1989) identified three relational concerns: neutrality, trust, and standing. Standing refers to the treatment received by group authorities, and includes such issues as politeness, respect for rights, and treatment with dignity. Trust is defined as a positive perception of the motives of authority and implies the perception that authorities act with benevolence and integrity. Finally, neutrality concerns the honesty and impartiality of the third party who must make a decision. Tyler (1994) showed that when these relational concerns are addressed, employees perceive that the outcome received is fairer, and that this effect is independent of the actual outcome.

As pay information could cause employees to address these relational concerns (Colquitt and Rodell, 2011), we propose that providing information about employees' base pay, as well as information about the base pay of other employees in the firm and in the industry, would indirectly influence POS by causing employees to assess their position within their category positively and expect this position to be reflected in receiving better pay than other referents, thus influencing their perception of pay comparison and consequently their pay level satisfaction.

H2a. Distributive base pay information and distributive base pay information on other employees in the firm are positively related to POS through the multiple mediating effect of internal pay comparison and pay level satisfaction.

H2b. Distributive base pay information and distributive base pay information on other employees in the industry are positively related to POS through the multiple mediating effects of external pay comparison and pay level satisfaction.

The mediating effect of satisfaction with pay procedures

We also analyzed how pay information can indirectly influence POS through its effect on satisfaction with pay procedures. Specifically, we consider two specific procedural aspects, satisfaction with how pay raise is determined and satisfaction with determination of variable pay, which includes employee satisfaction with the methods determining bonuses, commissions, and individual and group incentives.

Williams *et al.* (2008) showed that variable pay procedure satisfaction mediates the relation between the bonus amount and POS. This relationship is explained through the employees' perception of procedural justice associated with receiving a large bonus. That is, Williams *et al.* (2008) assumed that when individuals assess their variable payment procedures, they are only concerned with the resources obtained. However, drawing on the relational model discussed above, Tyler (1994) showed that procedural justice was in fact related to how employees' relational concerns were addressed, but not to the resources obtained in group interactions.

For this reason, in this study we focus on the impact of variable pay information on POS by considering the mediating effect of satisfaction with variable pay procedure. Additionally, we extend the work of Williams *et al.* (2008) by considering the mediating effect of satisfaction with pay raise procedure in the relation between pay raise information and POS.

Tyler (1994) showed that workers are prone to perceive the means, mechanisms, and processes by which pay is distributed as fair when these processes address their relational concerns. In this sense, fairness heuristic theory (Lind, 2001), which was developed based on the relational model (Tyler and Lind, 1992), argues that the perception of the extent to which relational concerns are addressed can be difficult to ascertain, as it is dependent upon qualities and characteristics that are difficult to observe and evaluate (Vand den Bos, 2001). According to this theory, individuals will use whatever information is encountered first and is most interpretable to create a general justice judgment, regardless of whether the justice perceptions pertain to the missing fairness judgment (Colquitt and Rodell, 2011).

Consequently, it is expected that pay information can help workers understand company processes and motivations, enabling them to see that the organization has used precise information to make its decisions and applied procedures consistently (Bamberger and Belogolovsky, 2010; Day, 2011). Such perception can then make employees more satisfied with how pay is determined (Sweeney and McFarlin, 1993; Tekleab *et al.*, 2005) and, consequently, perceive that the organization cares about their well-being (Kim and Mauborgne, 1998).

H3. Procedural variable pay information has an indirect effect on POS by increasing satisfaction with variable pay procedure.

H4. Procedural pay raise information has an indirect effect on POS by increasing satisfaction with pay raise procedure.

Method

Sample

Data were collected with a structured online questionnaire managed by the Edenred benefits management company. Edenred manages a database of 8,236 employees of firms operating in Spain, of whom 1,200 responded, for a 14.57% response rate. However, after discarding those with incomplete answers on some of the study variables, our final sample comprised 695 employees. Most of the participants were male (62.1%), with an average age of 39.88 ($SD = 8.015$) and had completed tertiary education (90.94%). Additionally, they had an average work experience of 9.94 years ($SD = 7.68$), and most currently held a permanent contract (94.67%). Regarding the sector, we used the Global Industry Classification Standard (GICS). Under this classification, 34.20% of participants belonged to firms related to information and technology and 30.16% belonged to firms in the industrial sector, that is manufacturers and distributors of capital goods. Finally, 60.14% of the participants received an annual total compensation between €20,001 and €40,000.

Measures

POS was measured in eight items taken from the short version of the Survey of Perceived Organizational Support (Eisenberger *et al.*, 1997), which has been used in previous studies (e.g. Rhoades *et al.*, 2001), which were scored on a 5-point Likert-type scale ranging from *strongly disagree* (1) to *strongly agree* (5). This scale includes items such as, “My organization really cares about my well-being.” After analyzing reliability and validity, one item (“My organization would forgive an honest mistake on my part”) was discarded because of low factor loading. The final scale reliability was $\Omega = 0.934$.

Regarding pay information, participants were asked to indicate how much information they received for each of the five types of pay information considered in the study on a 5-point Likert-type scale ranging from *no information* (1) to *complete information* (5). An example item is: “How much information do you receive regarding the criteria for obtaining pay raise?”

We included in the questionnaire a specific definition of each of the terms used (e.g. base pay) to avoid any misunderstandings by participants.

One item on internal pay comparison (“Compared to others working for this company with the same category as me, my current pay is . . .”) was included, and another on external pay comparison (“Compared with others with the same category as me working for other companies in the industry, the pay I currently receive is . . .”). Respondents answered on a 5-point response scale from *much less* (1) to *much more* (5). As we were measuring employees’ perceptions of how they assess their pay in relation to the pay of other referents, we did not include the answer “I don’t know” as a possible option. Otherwise, as only participants with accurate information could answer the question, we could not determine the effect of the provision of different amounts of pay information on pay comparison.

We used three items from the Compensation Satisfaction Scale by Williams *et al.* (2008) to measure the different dimensions of pay satisfaction on a 5-point Likert-type scale ranging from *completely dissatisfied* (1) to *completely satisfied* (5). Specifically, pay level satisfaction was measured with the item, “Size of my current base salary.” Satisfaction with variable pay procedure was measured with an item from the variable pay procedures satisfaction scale, “The procedures and criteria used to determine pay in the form of bonuses, incentives, commissions, etc.” Finally, one item was taken from the pay raise satisfaction scale, to measure satisfaction with pay raise procedure with the item “How my raises are determined.”

Finally, as organizational tenure has been shown to be associated with employees’ POS (e.g. Rhoades and Eisenberger, 2002), we included it as a control variable. Organizational tenure was measured as the number of years the employee had remained with the organization.

In addition, as pay level satisfaction has been shown to have some influence on satisfaction with pay procedures (Williams *et al.*, 2007), we controlled for the effect of pay level satisfaction on both satisfaction with variable pay and pay raise procedure.

Assessment of common method bias

To counter the potential risk of common method biases due to a single respondent, we followed some of the recommendations of Podsakoff *et al.* (2012) ensuring participant anonymity by administering the questionnaire via an independent website to which participants had direct access by a link. To reduce the respondents’ fear of being evaluated and to avoid their giving socially desirable or appropriate answers, they were assured that there were no good or bad answers and were asked to be as sincere and honest as possible. Second, questions were simple and concise, and terms with which participants might be less familiar were defined to facilitate their understanding and avoid any potential ambiguities.

Moreover, to test for the existence of common method bias, we performed a post-hoc Harman one-factor analysis. An unrotated principal component analysis indicated that common method variance was not an issue, because several factors with eigenvalues greater than 1 were identified, accounting for 66.6% of the total variance, and that of Factor 1, which accounted for 35.3% of the variance, was below the 50% acceptability threshold.

Normality assessment and data analysis

Our hypotheses were tested by estimating the model with the Lavaan package (Rosseel, 2012) in R (R Core Teams, 2018). First, as most of our data were from Likert-type measurement scales, and therefore categorically ordered, we checked for multivariate normality using the MVN package (Korkmaz *et al.*, 2014). As the multivariate normality hypothesis was rejected, we used the WLSMV estimator, a robust version of the DWLS method (Beaujean, 2014). With this approach we were able to test the statistical significance of the direct, indirect, and total effects of the relationships in the models proposed.

Figure 1 shows all the relationships analyzed in this study.

Results

Table 1 shows the descriptive statistics and correlations between the variables involved in the analysis. As the variables cannot be assumed to approximate a normal distribution and the measurement scales are ordinal, we calculated Kendall's non-parametric correlation (Puth *et al.*, 2015).

The model met the required thresholds and exhibited strong fit (Hair *et al.*, 2014): $\chi^2_{108} = 409.124, p = 0.00; CFI = 0.926; TLI = 0.905; SRMR = 0.039; RMSEA = 0.063$.

The results are shown in Table 2. First, the five types of pay information do not have a significant direct relationship with POS, and therefore Hypothesis 1 is not supported in our study. Hence, although the five types of pay information are significantly correlated with POS, there was no statistically significant relationship in the regression model, thus suggesting a suppression effect of other variables that was confirmed by the subsequent results.

Results also revealed that distributive base pay information and distributive base information of other employees in the firm had a significant positive indirect effect on POS through the multiple mediating effects of internal pay comparisons and pay level satisfaction ($\beta = 0.005, p < 0.10$; and $\beta = 0.006, p < 0.05$). In this sense, Hypothesis 2a is supported. Regarding Hypothesis 2b, results show that distributive base pay information and distributive base pay information of other employees in the industry had a significant positive indirect effect on POS through the multiple mediating effects of external pay comparisons and pay level satisfaction ($\beta = 0.017, p < 0.01$; and $\beta = 0.023, p < 0.01$), thus supporting Hypothesis 2b.

Furthermore, procedural variable pay information had a significant positive indirect influence on POS through mediation of satisfaction with variable pay procedure ($\beta = 0.064, p < 0.001$), hence supporting Hypothesis 3. Finally, Hypothesis 4 was supported to the extent that procedural pay raise information had a significant positive indirect influence on POS through the mediating effect of satisfaction with pay raise procedure ($\beta = 0.033, p < 0.001$). As the direct effect of the five types of information on POS was not significant, full mediation was established (Zhao *et al.*, 2010).

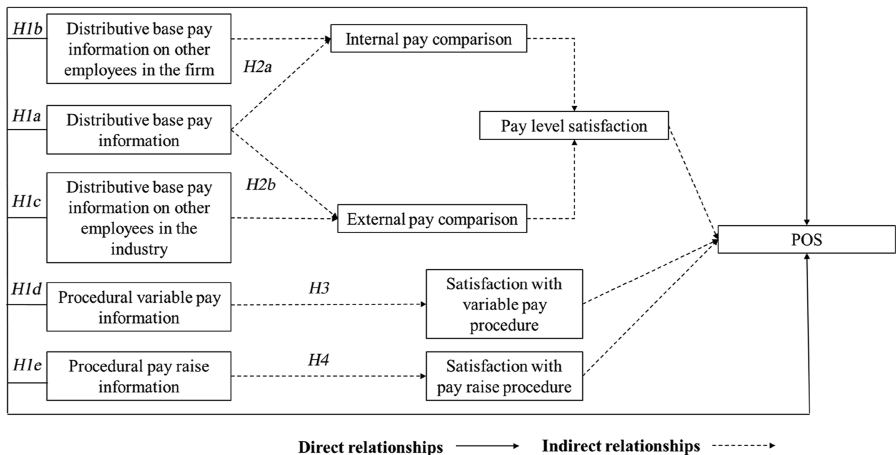


Figure 1.
Analyzed
Relationships

Source(s): Authors' own creation

Variable	M	SD	1	2	3	4	5	6	7	8	9	10	11
1. POS	3.07	1.01											
2. Pay level satisfaction	2.66	1.17	0.364**										
3. Satisfaction with variable pay procedure	2.13	1.13	0.413**	0.440**									
4. Satisfaction with pay raise procedure	2.14	1.26	0.360**	0.452**	0.423**								
5. Internal pay comparison	2.69	0.83	0.199**	0.367**	0.163**	0.200**							
6. External pay comparison	2.56	1.01	0.271**	0.478**	0.316**	0.272**	0.389**						
7. Distributive base pay information	3.56	1.29	0.248**	0.277**	0.168**	0.153**	0.119**	0.107**					
8. Distributive base pay information on other employees in the firm	1.83	1.16	0.183**	0.197**	0.209**	0.230**	0.151**	0.151**	0.078*				
9. Distributive base pay information on other employees in the industry	1.74	1.05	0.183**	0.145**	0.240**	0.222**	0.103**	0.101**	0.020	0.691**			
10. Procedural variable pay information	2.88	1.41	0.301**	0.272**	0.369**	0.192**	0.091**	0.177**	0.419**	0.180**	0.186**		
11. Procedural variable pay raise information	2.37	1.34	0.358**	0.321**	0.409**	0.350**	0.124**	0.193**	0.224**	0.370**	0.356**	0.406**	
12. Organizational tenure	9.94	7.68	-0.011	-0.012	-0.014	-0.078*	-0.061*	-0.042	-0.002	-0.016	-0.058	0.116**	0.035

Note(s): ** $p < 0.01$ * $p < 0.05$

Source(s): Authors' own creation

Table 1.
Descriptive statistics
and observed variable
intercorrelations

Direct effects	β	SE	5% CI
Distributive base pay information → POS	-0.441	0.819	[-2.046; 1.164]
Distributive base pay information on other employees in the firm → POS	7.159	10.778	[-13.965; 28.282]
Distributive base pay information on other employees in the industry → POS	-7.992	12.103	[-31.712; 15.729]
Procedural variable pay information → POS	0.038	0.053	[-0.066; 0.142]
Procedural pay raise information → POS	0.293	0.357	[-0.408; 0.993]
Pay level satisfaction → POS	0.240***	0.066	[0.111; 0.368]
Satisfaction with variable pay procedure → POS	0.272***	0.043	[0.187; 0.357]
Satisfaction with pay raise procedure → POS	0.165***	0.034	[0.098; 0.232]
Organizational tenure → POS	-0.006	0.010	[0.015; -0.006]
Internal pay comparison → Pay level satisfaction	0.219***	0.052	[0.117; 0.321]
External pay comparison → Pay level satisfaction	0.503***	0.048	[0.408; 0.597]
Distributive base pay information → Pay level satisfaction	0.717	0.534	[-0.329; 1.764]
Distributive base pay information on other employees in the firm → Pay level satisfaction	-9.073	8.335	[-25.409; 7.264]
Distributive base pay information on other employees in the industry → Pay level satisfaction	10.166	9.151	[-25.409; 7.264]
Distributive base pay information on other employees in the firm → Internal pay comparison	0.122***	0.031	[0.061; 0.183]
Distributive base pay information → Internal pay comparison	0.093**	0.029	[0.036; 0.150]
Distributive base pay information on other employees in the industry → External pay comparison	0.187***	0.038	[0.112; 0.262]
Distributive base pay information → External pay comparison	0.143***	0.031	[0.083; 0.204]
Procedural variable pay information → Satisfaction with variable pay procedure	0.235***	0.028	[0.180; 0.291]
Pay level satisfaction → Satisfaction with variable pay procedure	0.527***	0.039	[0.451; 0.602]
Procedural pay raise information → Satisfaction with pay raise procedure	0.199***	0.039	[0.122; 0.276]
Pay level satisfaction → Satisfaction with pay raise procedure	0.553***	0.044	[0.467; 0.640]
Indirect effects	β	SE	5% CI
Distributive base pay information → Pay level satisfaction → POS	0.172	0.134	[-0.091; 0.435]
Distributive base pay information → Internal pay comparisons → Pay level satisfaction → POS	0.005 [†]	0.003	[0.000; 0.010]
Distributive pay information on other employees in the firm → Pay level satisfaction → POS	-2.176	2.054	[-6.201; 1.849]
Distributive pay information on other employees in the firm → Internal pay comparison → Pay level satisfaction → POS	0.006*	0.003	[0.000; 0.013]
Distributive base pay information → External pay comparisons → Pay level satisfaction → POS	0.017**	0.006	[0.005; 0.030]
Distributive base pay information on other employees in the industry → Pay level satisfaction → POS	2.438	2.257	[-1.986; 6.862]
Distributive pay information on other employees in the industry → External pay comparison → Pay level satisfaction → POS	0.023**	0.008	[0.007; 0.038]
Procedural variable pay information → Satisfaction with variable pay procedure → POS	0.064***	0.013	[0.039; 0.089]
Procedural raise pay information → Satisfaction with pay raise procedure → POS	0.033***	0.009	[0.015; 0.050]
Total effects	β	SE	5% CI
Distributive base pay information → POS	-0.247	0.805	[-1.825; 1.331]
Distributive pay information on other employees in the firm → POS	4.989	10.701	[-15.984; 25.963]
Distributive pay information on other employees in the industry → POS	-5.531	12.031	[-29.112; 18.050]
Procedural variable pay information → POS	0.102 [†]	0.050	[0.004; 0.200]
Procedural raise pay information → POS	0.325	0.357	[-0.375; 1.026]

Note(s): [†] $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Source(s): Authors' own creation

Finally, as in other studies (e.g. [Allen et al., 2008](#)), organizational tenure was not found to be related to POS.

Additionally, as previous studies have considered employee knowledge about their pay position ([SimanTov-Nachlieli and Bamberger, 2021](#)) or their perception of distributive justice ([Alterman et al., 2021](#)) as moderators of the influence of pay secrecy on employee attitudes and behavior, we conducted an additional analysis to check the robustness of our results by determining whether pay comparison can moderate the effect of pay information on POS, whether directly or through the mediation of pay satisfaction. The results showed that neither internal nor external comparisons moderated the relationship between pay information and POS, confirming that in our study, the effect of pay information on POS was not affected by the pay position of the employees.

Discussion

Implications for theory

Contrary to what was expected from social exchange theory, our results showed that the five types of pay information in this study were not directly related to employee POS. This implies that the provision of pay information is not directly perceived by employees as a sign that their organization values their contributions and cares about their well-being. Organizational support theory states that information provision should contribute more substantially to POS if such provision is believed to result from voluntary action by the organization ([Eisenberger et al., 1997](#)).

In this sense, the debate about the necessity of reducing pay transparency policies as a way of avoiding problems such as gender pay inequality has been in the foreground in recent years. Indeed, legislation globally has fostered pay transparency policies (e.g. the recent EU Pay Transparency Directive). For example, in Spain since 2019 there is a law that obliges employers to maintain a register of the average values of salaries, salary supplements, and non-salary payments of their staff, disaggregated by sex and distributed by professional groups, professional categories, or jobs of equal or equivalent value. Workers have the right to access this salary register through the legal representation of the workers in the company.

Although none of these policies mandate the kind of comprehensive disclosure contemplated in this study and may not affect all organizations, the mere fact of the debate over the necessity of reducing pay secrecy can lead some employees to perceive that the provision of pay information is not voluntary on the part of the employers but a response to these requirements. This would explain the absence of a direct relationship between such pay information and POS.

However, pay information exerts an indirect effect on POS by influencing employees' pay level satisfaction and satisfaction with pay procedures. Specifically, distributive base pay information and distributive base pay information on other employees in the firm and in the industry were shown to have an indirect influence on POS through multiple mediation of pay comparison and pay level satisfaction. This confirms that employees consider these types of information when they make internal and external comparisons and that their provision increased employees' base pay level satisfaction, thus supporting Tyler's relational model (1994). The provision of this pay information can address employees' relational concerns for neutrality, trust, and standing, causing them to positively assess their position within the organization and thus to expect that this position will be reflected in their pay level.

Additionally, when comparing the three distributive pay information provided by the firm, we can conclude that the indirect effect of information related to other employees in the industry has more influence on POS than information regarding other employees in the firm. According to organizational support theory ([Eisenberger et al., 1997](#)), the fact that external pay information can be more difficult for employees to obtain, and that they can perceive this

external information as being provided by the organization voluntarily, could explain this result. However, considering that the direct influence of POS is not significant and that different intermediate variables have been used, this result should be cautiously considered and confirmed by future studies.

On the other hand, the mediation effect of pay comparison in the relationship between pay information and pay level satisfaction or employee POS seems to contradict previous studies that proposed pay comparison as a moderator. For example, [Alterman et al. \(2021\)](#) found that perceived distributive justice, which can be likened to pay comparison, moderated the relationship between pay secrecy perceptions and organizational trust and turnover intention. However, [Alterman et al. \(2021\)](#) excluded pay level transparency when measuring pay secrecy perceptions, which may imply that the moderation effect of distributive justice may only be present when other information not related to pay level is included.

Further, [Simantov-Nachlieli and Bamberger \(2021\)](#) found that pay position moderates the effect of outcome pay transparency on counterproductive workplace behavior. They justified their results by assuming that outcome pay transparency could increase the salience of perceived negative pay discrepancies among those with low pay positions because they tend to make upward comparisons. However, our results seem to be more in line with the argument proposed by [Bartol and Locke \(2000\)](#), who considered that by providing pay information, an organization can influence the references that workers use when making their comparisons, thus avoiding undesirable comparisons. In this context, just as in the relational model proposed by [Tyler \(1994\)](#), pay information provided by the organization can lead employees to assess their position within their category positively and expect their position to be reflected in their pay level.

On the other hand, procedural variable and pay raise information have shown to have an indirect influence on POS through satisfaction with variable pay procedures and pay raise procedures, respectively. This result supports the fairness heuristic theory ([Lind, 2001](#)) because it implies that employees use this available information to form judgments about the justice of the procedures involved in making these decisions and consequently about their treatment by the organization.

Additionally, we can conclude that variable pay information has a greater influence on POS than raise pay information. As previous studies have shown (e.g. [Brown and Huber, 1992](#)), employees perceiving a strong link between their performance level and pay is crucial. When employees perceive that organizations promote an environment that rewards high performance, this expectation can be seen as a sign that the organization values employee contributions. Consequently, this not only increases employees' willingness to perform at a high level but also enhances their POS ([Eisenberger et al., 1999](#)). As procedural variable pay information can make employees realize this link more strongly than procedural raise pay information, this could explain the higher influence of variable pay information on POS. Again, since different intermediate variables have been used, this result should be cautiously considered and confirmed by future studies.

Implications for practice

These findings hold several important implications for practice. First, they highlight the important positive effects of providing employees with pay information. That is, despite the assumption that some employees would not be comfortable with a pay transparency policy because it could be considered a violation of their privacy ([Sundstrom et al., 1980](#)), the results of this study show that it influences satisfaction with pay levels and procedures, leading employees to perceive the firm as being concerned about their well-being. For this reason, pay information should be a critical factor to be considered when a firm is designing its pay policy, as it can be a determinant of its effectiveness.

Second, this study highlights the importance of the content of information provided to employees. According to the results of this study, the type of information is important, and different types of information can influence employee perceptions differently. Thus, managers should specifically decide on their objectives when designing their pay information policies and provide specific pay information based on such objectives.

Limitations and future research

Despite its contributions, this study did have some limitations. The first is the use of a cross-sectional design. Therefore, future researchers could consider conducting longitudinal studies to enhance the generalizability of our findings.

The second limitation concerns the geographical area under study, as employee data were collected only from companies located in Spain. However, in this case the purpose of the study justifies the selection of firms from a single country. We limited our research to Spanish companies to eliminate any possible distortion by differences in labor regulations. In addition, we wished to avoid any characteristics of organizational culture and other labor characteristics that might differ across countries. Despite the advantages of such a sample, future research could use a sample of companies from different countries to identify cross-cultural effects on employees' perceptions and attitudes.

Thirdly, future studies could address whether more specific types of pay base information, such as pay ranges or pay averages, could also influence the analyzed relationship. In this sense, instead of considering the level of pay base information, it could be interesting to investigate whether providing pay ranges and/or pay averages can also influence pay comparison, satisfaction with pay level, and ultimately employees' POS.

Similarly, in addition to analyzing pay, it might be important to address other essential aspects of employee compensation, such as indirect compensation (commonly referred to as benefits), and psychological compensation. Regarding benefits, although previous studies have emphasized the importance of benefit communication (e.g. [Cordón et al., 2023](#)), future studies could analyze how different pieces of information related to the benefits system (e.g. information about the available benefits, information regarding of the kinds of benefits appropriate for each employee) can influence various outcomes for employees.

Finally, the study focused only on the relationship between pay information and specific attitudes and perceptions of employees, such as pay satisfaction and POS, and ignored the effect of this information on other attitudes and behaviors of employees such as organizational commitment, trust, and individual performance ([Mulvey et al., 2002](#)). In addition, future research should examine the moderators of the relationships analyzed in this study.

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