Pay Secrecy, Signaling and Employee Turnover at the Individual and Firm Levels: The Modering Role of Distributive Justice Climate

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Abstract
The relationship between pay and human capital resources is well established, with pay mix, level and structure serving as important levers by which employers may attract, develop, retain and leverage the individual and unit-level capacities associated with organizational effectiveness. However, we know little about the impact of pay communication practices such as pay secrecy (PS), on these same outcomes. This is problematic in that the motivational and sorting effects of compensation are largely contingent upon employee pay perceptions, with pay communication practices serving as a key mechanism by which employers may influence such perceptions. We address this gap in pay communication research by examining the association between individual and firm-level PS perceptions/practices and both individual-level turnover intentions, and enterprise-level turnover rates. Building on signaling theory, we argue that a key pay-related facet of the organizational climate, namely the distributive justice climate (DJC) or employees’ shared fairness perceptions of the allocation of organizational rewards colors how employees frame PS, and thus plays a key role in determining the impact of PS on turnover. More specifically, we argue that PS may be interpreted as indicative of “sinister” intentions on the part of the employer, thus generally motivating employees to consider alternative employment opportunities and take advantage of opportunities available to them. However, we also expect that DJC may be used to help interpret the uncertain, weak signals associated with PS with the generally positive effect of PS (relative to transparency) on turnover intentions and rates amplified under conditions of high DJC. This is because while transparency facilitates the validation of low distributive justice perceptions (thus eliciting higher turnover intentions and rates), the certainty effect elicited by PS dampens any tendency towards action that might otherwise be primed by low DJC. We use data collected from management and workers (n=1,784) in 88 Chinese firms to test our hypotheses.

Date : 26 February 2018 (Mon)
Time : 11:30 am – 12:00 nn (Registration)
          12:00 nn – 13:30 pm (Public Lecture)
Venue : M802 for registration & public lecture

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Registration will be accepted on a first-come-first-served basis.