

Salary Transparency issues at Singhanian Overseas Private Limited

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Most employees do not know how their organisation pays its employees as compared to the market and if they make some inaccurate estimations then it may lead to feeling of being underpaid. Open salary system bringing transparency at an organisation facilitates truthfulness and ethical behaviour (Trotter et al. 2017). But if the organisation has a culture of favouritism where executives are paid monstrous salaries which has nothing to do with their performance bar, then chances are higher that an open salary system may backfire and lead to an awkward situation for senior managers (Peters, R., & Atkin, R. 1980). Open salary culture promotes a marketplace where meritocracy and ethical practices are encouraged (Mas, A. 2017).

Singhanian Overseas Private Limited one of the leading manufacturers and exporters of readymade garments, handlooms and handicrafts was in business for more than 5 decades. Owners of the company Rajesh and Manoj Singhanian were cousin brothers who started this company and now the third generation is taking care of the helm at the company. It was all going smoothly as the company was earning handsome profits, paying competitive salaries to its employees, leading to lowest attrition rate in the region. There was lower attrition rate at the company due to which the company was able to fulfil all the orders on time and in return top management of the organisation was very much empathetic for its employees by providing various allowances and benefits in return for their hard work and dedication.

One day Ravi working in the overseas client handling department was having a discussion with another employee named Shyam about remuneration he receives from the company and when he came to know Shyam salary he was shocked that his salary is nowhere near to Shyam despite having more experience working in the organisation at the same position. This one incident created a ripple effect as Ravi shared this information with other employees. So, all the employees at Singhanian Overseas Private Limited started digging out information about their peer salaries.

In today's highly connected world, employees started to make comparisons with workers in other organisations and are grappling with the fear of being underpaid (Cullen, Z., & Perez-Truglia, R., 2022). As it is the organisation's policy that none of the employees would disclose salary to other employees and it is purely a confidential matter. Employees were not having any authentic information about their fellow colleague's salary and having some sort of dissatisfaction due to their unrealistic assumptions about their co-workers' salaries. Something which started with an informal discussion between two employees, now becomes

talk of the town at Singhania Overseas Private Limited causing a sense of distrust among workers.

One day someone told the top management about things which were taking place at the organisation causing distrust among employees at an unprecedented level eventually leading to negative impact on workers' productivity causing losses to the company. Top management asked the HR department to submit a report on this issue and told to schedule a meeting regarding salary transparency and asked heads from each functional unit to come up with concrete points in this regard. Considering the seriousness of the situation, the chief HR executive made a proposal that information about compensation of all employees at Singhania Overseas Private Limited should be openly accessible to internal members of the organisation firstly and at a later stage to external general public also depicting salary transparency at organisation.

HR department submitted the report in the meeting advocating to adopt open salary policy at the company as it is going to improve work culture at the organisation and attracts better workers and helps in retention of talented staff. It was also advocated that open policy system would help to eliminate biasness in the system and will create an eco-system of trust and people would ask for feedback more frequently to improve their capabilities and increase productivity, and it will also stimulate underperformers to work harder to survive. Top management agreed to the points put by HR department in favour of open salary policy, meanwhile management indicated that it is a double-edged sword which can also lead to opening of Pandora's box full of biasness, favouritism, nepotism and cartel among senior executives. The HR executive reiterated that an open salary policy system can help to alleviate the fears among workers of being underpaid, as it is one of the most important reasons for employees to quit any job.

Heads of various functional units opposed any move towards open salary policy as it was believed by them that if employees know each other's salary it can decrease employee motivation at work and eventually can hurt employee's confidence. Heads express their concern for frequent requests for salary revision which will ultimately make their task difficult. Moreover, it has been observed by heads that dissatisfaction has nothing to do with comparative analysis by someone's salary with other salary and cannot lead to attrition. But all these arguments presented by heads of various functional units failed to impress top management to refrain from implementing an open salary system.

Now the question was how to proceed further and how to tackle challenges on the front of employee's grievances. Top management asked the chief human resource officer to design a blueprint to implement open salary policy at the organisation. Some of the questions which CHRO needs to answer were, should the open salary system be implemented all across the organisation or a limited number of departments to begin with and if things go well, then execute at organisation level. Next question which HR managers need to solve is whether the salaries of employees should be revealed within the organisation itself or to the entire world. Next thing top management and CHRO needs to prepare for questions to be asked by employees after making comparison of salaries among employees. So finally, after over stretched discussions top management decided to launch an open salary system at one of the functional units and decided that if things go well then it will be implemented to the whole organisation. As expected, as soon as employee's got information about their peer's salary, a sense of dissatisfaction started to arise among some employees who were earning less as

compared to their fellow workers. Employees who observed that their peers are earning much higher than them and as per their perception contributions made by them for organisation are none less than others, but it was quite difficult for them to understand the reason behind this difference.

So, these aggrieved workers approached the HR department and asked for revision of salaries to bring them at par with fellow workers. It was not feasible for the organisation to revise salaries for such a large number of employees at once. So, the CHRO tried to make aggrieved employees understand the reasons behind this pay disparities. Differences in level of skills possessed was cited as one of the prime reasons for salary disparities and employees were told that there will be on the job training sessions for all existing employees which can help to bridge the skill gap and then employees can ask for salary revision. Employees agreed to the statements made by the HR manager regarding salary disparities and potential methods to resolve it. In the next meeting top management asked the HR department about outcomes for implementation of the open salary policy.

Top management was briefed about the outcome for the implementation of the open salary system in one functional unit. The HR manager told management that employees earning less than their counterparts will definitely ask for salary revision next time after going through extensive training. So the organisation must be ready for extra financial burden as a result of salary revision. CHRO cautioned top management that initially implementation of open salary policy is definitely going to put extra financial burden on the organisation, but in long run it will help to improve efficiency. It will also make it difficult for non-performers to sustain their current working style and force them either to improve productivity or quit the organisation. So the organisation must also be ready for a higher level of attrition in the coming time ahead and embrace manpower shortage for the medium term which may restrain the organisation to fulfil its obligation with customers efficiently and effectively. Now considering this kind of unexpected outcome for open salary system implementation in one functional unit, top management was in dilemma whether to wait for some time before extending salary transparency at the whole organisation. As it is a painful and lengthy process and it was not sure how things were going to turn out on such a large scale. Finally, after making rigorous discussions with prominent senior executives, top management decided to halt implementation of an open salary system beyond one functional unit.

Questions:

1. What would you do if you have been in top management position and justify your actions?
2. Share your opinion related to the pros and cons of an open salary system.
3. As an HR manager how you are going to deal with aggrieved employees asking for salary revision which may lead to undesirable outcomes if not handled tactfully.

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