Should Companies make Payrolls an 'Open Book?'

By Holly Culhane, Contributing Columnist

The Securities and Exchange Commission recently proposed a new rule that would require publicly traded companies to disclose how much their chief executive officers earn.

The rule is required by the Dodd-Frank law, a banking and financial reform law passed by Congress in the wake of massive Great Recession corporate bailouts and public outrage over the pay and bonuses firms were doling out to executives.

Even after taxpayer dollars were used to prop up some of these companies, executives kept hauling in hefty compensation packages, with the spread between the pay of CEOs and rank-and-file workers a mind-boggling wide gap.

The SEC disclosure rule was delayed by heavy congressional lobbying, particularly from groups, such as the HR Policy Association and its advocacy arm, the Center on Executive Compensation. But this month's unveiling of a disclosure rule seems to be a crack in the closed boardroom doors.

The outcry over the pay for executives at publicly traded companies also is spawning a call for pay transparency at all companies – private and public.

The decision to disclose pay at privately held companies will likely boil down to "business practices," rather than federal or state mandates. And it will be affected by the changing nature of today's workforce with the influx of Generation Y or Millennials – people born between the early 1980s and early 2000s.

These workers are accustomed to sharing personal information via Facebook and Twitter, and to using compensation tools, such as Glassdoor.com, to determine their worth.

So it is not surprising that talking between co-workers about pay and demands to know how much the boss is being paid are becoming commonplace.

Companies already know they are on legal thin ice to prohibit rank-and-file employees from talking about how much they are being paid. But the question is: How far should companies go to make that information accessible.

As an HR consultant, I am often asked about pay issues, including workers' demands for transparency.

Would I recommend that? Probably not.

To some degree, pay is a subjective decision. Many of us do not have jobs that are easily measured and compared with others at our companies. To disclose everyone's pay could cause hard feelings and actually prompt some employees to leave.

But when deciding how much to disclose, consider the following:

--Pay information is getting around, particularly if you have young workers.

--Some companies adhere to pay formulas. For example, an employee-owned business in Colorado discloses everyone's salary on a regular basis and has a rule that no employee can earn in total compensation more than four times that of another employee.

--Rather than disclosing individual's pay, general pay ranges can be revealed with a clear understanding how raises are given and what workers must do to earn them.

--Be able to defend your compensation plan. Self-audit your work force. Do you see alarming trends? Are men generally being paid more than women? Are young employees being paid more than older ones? Are the hardest working employees being rewarded?

What do we tell our clients? Worry less about disclosing what everyone on your workforce is being paid. Worry more that you are treating workers appropriately -- including providing fair, equitable compensation packages that reflect the job performed and the market in which they're working.

This article written by Holly Culhane first appeared online and in The Bakersfield Californian on Tuesday, October 1, 2013. Holly Culhane is president of the Bakersfield-based human resources consulting firm P.A.S. Associates. She can be contacted through her website www.pasassociates.com and through the PAS Facebook page or by phone at 631-2165.

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