

Management Style

Mine's bigger than yours!

A thought-provoking look at how we view the size of our salaries



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“Here Gavin, I think this is yours.” Lucy was standing over my desk, holding out a blue piece of paper. She had a wry smile on her face.

My heart sank. “Oh no,” I groaned to myself, “How could I be so stupid?” I took the piece of paper grudgingly and mumbled a thank you under my breath, my eyes fixed firmly to the floor. I couldn’t bear to look Lucy in the face.

“You know you shouldn’t leave that kind of thing lying around for everyone to see,” Lucy scolded. She was enjoying my discomfort and seemed intent on drawing it out as long as she could. “That kind of thing can get you fired, you know,” She was waiting for a reaction and when she didn’t get it, she eventually left me alone.

Thankfully.

It was 1997 and I was in the process of applying for my first cellphone contract. Vodacom required proof of income and so I had trudged off to the central photocopying machine and made a copy to send to the provider. My fatal mistake was to leave my original salary slip in the photocopying machine, to be discovered by the next person. Unfortunately, that person happened to be Lucy, the office gossip. Soon the intimate details of my pay package were disseminated across Lucy’s entire social circle in the company and beyond I’m quite sure.

I was mortified. It didn’t help that the head of human resources gave me a call a while later to politely remind me that disclosing my salary details went against

company policy and that I should be more careful next time. As if I didn’t know that.

While that incident taught me an important lesson about protecting personal information, it also raised some interesting questions about the social taboos around disclosure of our incomes. Why are we so secretive about what we’re paid? Why don’t we share our salary details with our work colleagues? And why did my innocent mistake lead to an uncomfortable conversation with the head of human resources?

WHAT IS YOUR WORTH?

On some level, we tend to equate people’s income with their worth as a person. Someone who earns a R1m salary automatically commands more respect than

someone who earns a paltry R500/month. It's also why we usually ask: "So what do you do?" when meeting someone for the first time. We make snap judgments about that person based on what they do for a living – whether justified or not. It's not really fair, but unfortunately that's how the world works.

If I earn more than you, then it means I'm valued by the company more than you, which is often interpreted as: "I'm a more valuable person than you." This explains why people get so upset when they discover that someone whom they consider to be less competent than they are is actually paid a higher salary. It also explains why being unemployed often has an equally negative impact on our self-esteem as it does on our bank balance

WHO IS REALLY BENEFITING?

A more cynical view is that the secrecy around salary details is a ploy by organisations to stem employee discontent and keep the wage bill down.

Imagine that the payroll administrator mistakenly sent the company payroll details to you. The size of everyone's salary, from the CEO down to the cleaner, is sitting in front of you to look at. What would you do? Would you send back the file without looking at it? Or would you sneak a peek first? The temptation to look would probably be too great for most people. And if you did look, whose salary would you look at first?

I would imagine that you'd start off with the CEO and some of the senior executives, before moving on to the colleagues you work with. What if you discovered that John, who you've always considered to be lazy and incompetent, actually earns 20% more than you? Or that you earn less than Theresa who is not only less qualified than you, but also has less experience? How would you react? Not very positively, I would think. In fact, there's a good chance you'd march off to HR and demand to know the reason for the perceived discrepancies. It would certainly cause some degree of resentment and a reduced motivation to give of your best at work.

Employers know this, therefore many of them make it company policy that employees are not allowed to disclose their salary

details to others. They know that if everyone shared this information openly, there might be a corporate mutiny or, at the very least, a resentful workforce. It's very much in the employer's interest to encourage a culture of secrecy when it comes to pay.

JUST HOW HAPPY ARE EMPLOYEES WITH THEIR PAY?

In our work at iClimateSurvey.com, we ask employees how satisfied they are with their level of pay (including salary and bonus). On average, across all the companies we've reviewed, just less than half of the workforce is unhappy with the level of remuneration (equally split between being quite unhappy and extremely unhappy). Roughly, a quarter are sitting on the fence. Only a quarter is happy with their pay, and only 4% of employees are extremely happy.

On the whole, people are dissatisfied with their salaries. This is not surprising, given how they equate their pay with their self-worth. One employee contributed the following on an anonymous discussion board: *"I don't think the company has been fair when it comes to my pay, I deserve more as I give my best."*

I recall a presentation I gave to a CEO where I shared the good news that his employees were a lot happier with their pay than employees at other companies (well over half the employee base expressed satisfaction with the level of pay). I'll never forget his response. Instead of sharing my enthusiasm, he responded with a scowl: "Damn, I'm paying them too much!" With this attitude pervading senior management ranks, no wonder so many people are unhappy with their pay.

The issues are complex and often contradictory. For example, employees often express discontent at the perception that people with degrees are paid more to do the same job, especially if those skills have little to do with the actual work requirements. At the same time, people with qualifications are unhappy about the perception that their degrees are not recognised in comparison with others who just have a secondary education. Long-serving employees feel that their loyalty should be rewarded, while new recruits are of the opinion that they're paid to do a job and their length of service is irrelevant. And so it goes on. It's very difficult to please every-

one.

On top of that, many employees feel that their employer doesn't recognise the value they are contributing. One respondent commented: *"You are supposed to know what I do around here ... but the big question is, do you really know the value that I add? I just want to be paid what I'm worth."* There are also widely held perceptions of favouritism in pay practices, whether justified or not. Another respondent was upset about *"the vacuum cleaners who get all the big increases and bonus cheques."* It took me a while to work out who the "vacuum cleaners" were – they're the employees who "suck up" to the bosses and unfairly earn their favour.

IT'S ALL RELATIVE

According to some fascinating research that has come out in recent years, the degree of happiness we have with our income has much less to do with the absolute size of that income and more to do with how it compares with those around us.

Suppose you were offered one of the following two jobs:

Choice A: You earn a salary of R300 000 when everyone around is earning only R150 000.

Choice B: You earn a salary of R350 000 when everyone around you is earning R700 000.

The rational choice is clearly B, since you're earning R50 000 more. No-one can argue with the fact that a salary of R350 000 is better than a salary of R300 000. However, in repeated similar experiments, the majority of people prefer Choice A. When you earn significantly more than those around you, you experience an increase in social status and perceived superiority that people value a lot. In fact, they're prepared to earn a lot less to enjoy these intangible psychological benefits.

This explains why an investment banker can earn a huge bonus by objective norms, yet still feel hard done by since other investment bankers are earning bonuses that are even more obscene. It also partly explains why wealthy township residents sometimes choose to build a relative "mansion" in the townships rather than move to the suburbs.

Towards the end of last year, the press reported on grievances submitted by the Congress of Traditional Leaders of SA to Government. It turns out that a number of South Africa's traditional kings were unhappy about the fact that King Goodwill Zwelithini earned the lion's share of the R80m that South African taxpayers are forking out every year to keep our country's seven royal households in the style to which they have become accustomed. The Zulu king receives nearly R60m a year, which includes allowances for travel, entertainment, cultural ceremonies and the maintenance of his royal palaces. The other kings were unhappy that this "created the impression that King Goodwill was the most important king in the country". The fact that these other kings received a salary of nearly R1m, not to mention huge vehicle and fuel allowances – all of which would be considered exorbitant by many ordinary South Africans – seemed to be of little consequence.

I thought I'd test the concept with my own kids. I sat them down at the kitchen table and placed a packet of marshmallows

in front of them.

My six-year-old son Jayden was given the following choice:

Choice A: You can have one marshmallow and your sister Kayla gets none.

Choice B: You can have two marshmallows and your sister Kayla gets three.

I hoped he would choose option B, which is the rational choice. Clearly, two marshmallows are better than one, and he shouldn't really care how many marshmallows his sister gets. Alas, he went for option A. I shouldn't have been surprised. He is fiercely competitive with his sister.

I then turned to five-year-old Kayla and gave her the same choice. Thankfully, she went for option B. She's a generous little girl and often brings sweets home for her brother when she goes to parties. She was quite happy to let her brother have more than she had if it meant she ended up with more marshmallows for herself. I was suitably proud.

However, Jayden redeemed himself a moment later. He had been watching Kayla's reaction intently and had a change of heart: "Can I have the choice again, Dad?" "Sure," I said, expecting him to be a little more altruistic this time round. "If I gave you the same choice again, what would you do?" I asked expectantly. He broke out in a big smile. "I'd ask Kayla to go first!" Smart kid.

AN INTERESTING EXPERIMENT

This insight about how satisfaction with pay is relative rather than absolute suggests an interesting idea. Would employees be happier if they knew that they were earning more than their fellow workers, even if we didn't actually increase the absolute size of their salaries? Could increasing transparency in pay in a selective way increase satisfaction with pay? I'm not talking here about making pay transparent across the entire organisation or industry, as sites like Glassdoor.com are trying to achieve. Rather it's about selectively choosing what information to share with each employee individually.

Here is how it would work: Each employee in the organisation would be shown the names of all those employees

who earn less than that particular employee (but not those who earn more). So entry-level workers would be shown a relatively short list, while the list for senior managers would be much longer. We don't need to reveal the size of the salaries, just the fact that the employee earns more than those on the list. Knowing that I earn more than my colleague should increase my satisfaction with my pay, even if the size of my salary doesn't change.

The one danger with this suggestion is that if one of my work colleagues is not on my list, then it implies that I earn less than he does. We've seen that this can cause resentment, which would work against the effect we're trying to achieve. To get around this, we could add the following adjustment to the procedure: If another employee earns less than I do, but the difference between our salaries is less than 10%, then that employee will not be shown on my list. So this means that if Susan is not on my list, then either Susan earns more than I do, or I earn slightly more than she does. I can't say for sure which of us earn more than the other. In this way, no-one knows for certain who is higher up the pay chain. However, everyone does know for certain who earns a notably lower salary.

I would love to run this experiment in a forward-thinking company. We'd first measure satisfaction with pay across the entire business to get a baseline reading. Then we'd prepare a separate list for each individual employee, based on the idea described above. At the end, we'd measure satisfaction with pay again to see if this had led to an increase in the overall satisfaction level. If it does, the implications are far-reaching. It means that companies would have a method to improve how their employees feel about their pay – but without paying those employees a cent extra.

If you'd like to volunteer your company for this ground-breaking experiment, please get in touch with me at gavin@feedbackrocket.com. We'll do it for free and if you're happy with the results, then we'll report it in *Fimweek*. It could change the world of work. Any takers? ■

Dr Gavin Symanowitz is an actuary and founder of iClimateSurvey.com and FeedbackRocket.com, an award-winning online innovation that enables anonymous management feedback.



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