



SEPTEMBER BREAKFAST PROGRAM





WELCOME NEW MEMBERS



Mandy Baeumel

Senior Vice President, People
& Culture
Southwire



Ivory Harris

CHRO
AGCO Corporation



Gillian Chandrasena

Chief People Officer
Reliance Worldwide
Corporation Ltd.



Anna Simelane

Executive Director: Talent
Development, Relations &
Employee Health
Piedmont Healthcare



Brenna Garbelman

Senior Manager, Executive
Advisory and Planning
Phenom



Tanvi Sondhi

VP, Talent Management
Novelis, Inc.



Ann Hammel

VP, HR
Carter's Inc.



LaToya Williams

VP, Corporate HR and
Learning & Development
Atrium Hospitality





PREMIUM PARTNERS



App Partner

Breakfast Program Partners



Website Partner



AV Partner



**TODAY'S BREAKFAST PROGRAM
SPONSORED BY**



Our Purpose: To Improve the way the world is led

The Atlanta Team: 19 Consultants, 5 PhDs, 44 Associates

Atlanta-Focused

- Asbury Automotive
- Assurant
- Coca Cola
- Delta
- Emory University
- Graphic Packaging
- Herschend Family Entertainment
- Newell Brands
- Norfolk Southern
- PulteGroup
- Repay
- SAIA
- Site One Landscape
- Sparus
- The Southern Company

Functional Experts

- Boards of Director
- Chief Executive Officers
- Data and Analytics Leadership
- Digital Leadership
- Financial Officers
- Human Resources Officers
- Legal, Regulatory and Compliance Officers
- Marketing Officers
- Operations & Supply Chain Officers
- Risk Officers
- Sustainability Leaders
- Technology Officers

Industry Experts

- Business and Professional Services
- Consumer
- Education
- Energy and Natural Resources
- Financial Services
- Healthcare
- Industrials
- Private Equity
- Social Impact
- Technology

Leadership Services

- Board Effectiveness
- CEO Succession
- Team Effectiveness
- Executive Search
- Executive Development
- Family Business Leadership
- AI Adoption
- HR Effectiveness



OUR PROGRAM

Designing Fair Organizations: The Case For Pay Transparency



TOMASZ OBLOJ

**ASSOCIATE PROFESSOR OF STRATEGY AND WEIMER
FACULTY FELLOW AT KELLEY SCHOOL OF BUSINESS,
INDIANA UNIVERSITY**





Designing Fair Organizations: The Case For Pay Transparency

Tomasz Obloj

Professor of Strategy
Indiana University
Kelley School of Business

Agenda



Breakout 1 – who stands to gain, who stands to lose?



Introductions



Impossibility of Fairness

Liberating realization



Pay transparency

What it is

What we know

What we don't know



Breakout 2 – the Envy Test

Talking about Fairness



Conclusions and Q&A

Who will be happy/upset?		Who will benefit/lose in the long-run?		Will not be affected
		Benefit	Lose	
	Happy			
	Upset			
	Indifferent			

Introductions



Kelley School of Business
Indiana University



Organization design

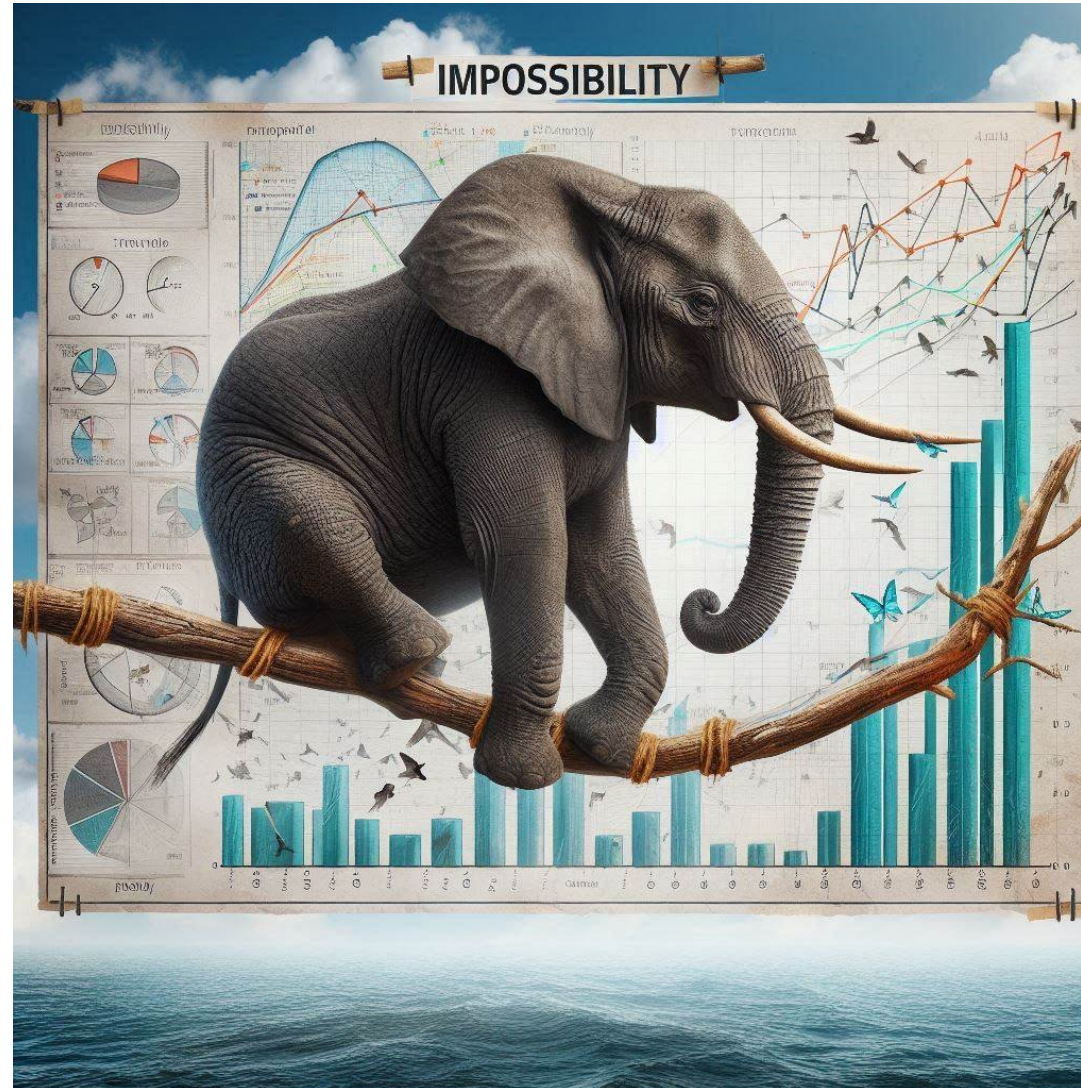
Incentives

Transparency

Equity



Impossibility of Fairness



Impossibility

- 1 Rules: Impossibility of consensus

Impossibility

1 Rules: Impossibility of consensus

You see three children arguing over one flute. Boyan says that he's the only one who can play it. Others concur. Mitali says that she, unlike two other kids, has no other toys. True. Lotta claims that she has actually made the flute. Also true. Who do you think should get the flute?



Example credit: A. Sen

Impossibility

1 Rules: Impossibility of consensus

WORK

The typical CEO makes nearly 200 times more than their workers

Published Wed, Jun 5 2024•1:37 PM EDT • Updated Wed, Jun 5 2024•1:55 PM EDT

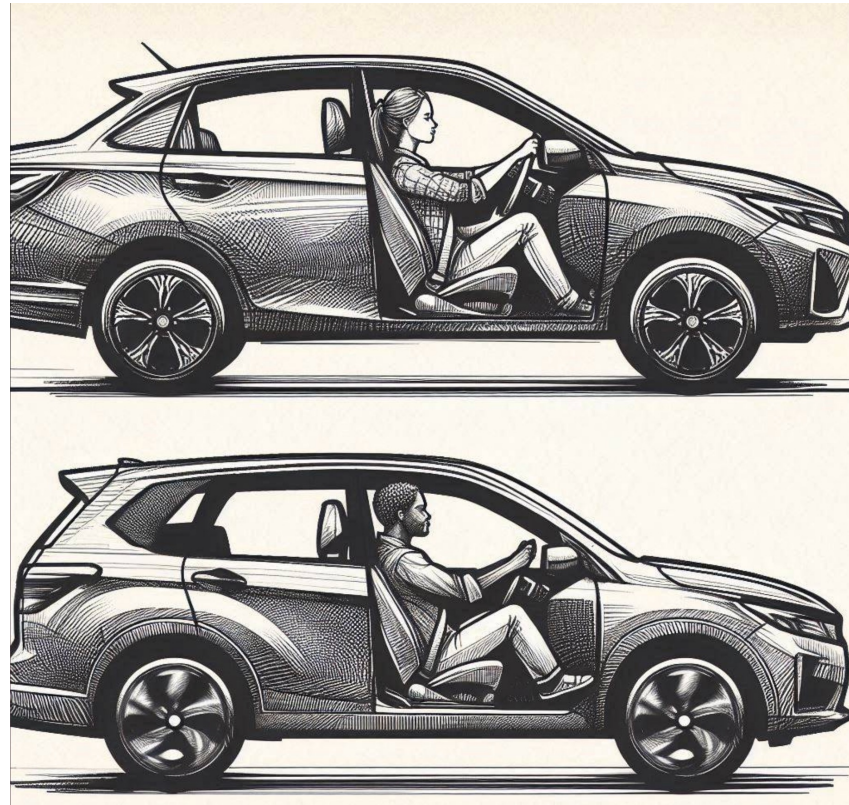
Impossibility

2 Attribution: Impossibility of objectivity

Impossibility

2 Attribution: Impossibility of objectivity

Are you an average or above average driver or are you a below average driver?



Impossibility

2 Attribution: Impossibility of objectivity



Impossibility

3 Biases: Impossibility of rationality

Impossibility

3 Biases: Impossibility of rationality

Imagine that Atlanta is preparing for the outbreak of an unusual disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimates of the consequences of the programs are as follows. . .

Impossibility

3 Biases: Impossibility of rationality

Imagine that Atlanta is preparing for the outbreak of an unusual disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimates of the consequences of the programs are as follows. . .

**If Program A is adopted,
200 people will be saved.**

**If Program B is adopted,
there is a 1/3 probability
that 600 people will
be saved, and a 2/3
probability that no people
will be saved.**

Impossibility

3 Biases: Impossibility of rationality

Imagine that Atlanta is preparing for the outbreak of an unusual disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimates of the consequences of the programs are as follows. . .

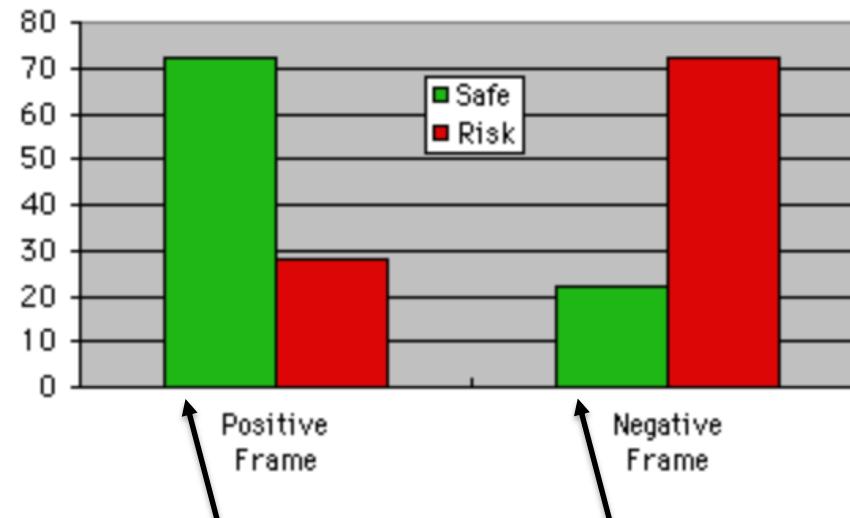
**If Program C is adopted,
400 people will die.**

**If Program B is adopted,
there is a 1/3 probability
that nobody will die, and a
2/3 probability that 600
people will die.**

Impossibility

3 Biases: Impossibility of rationality

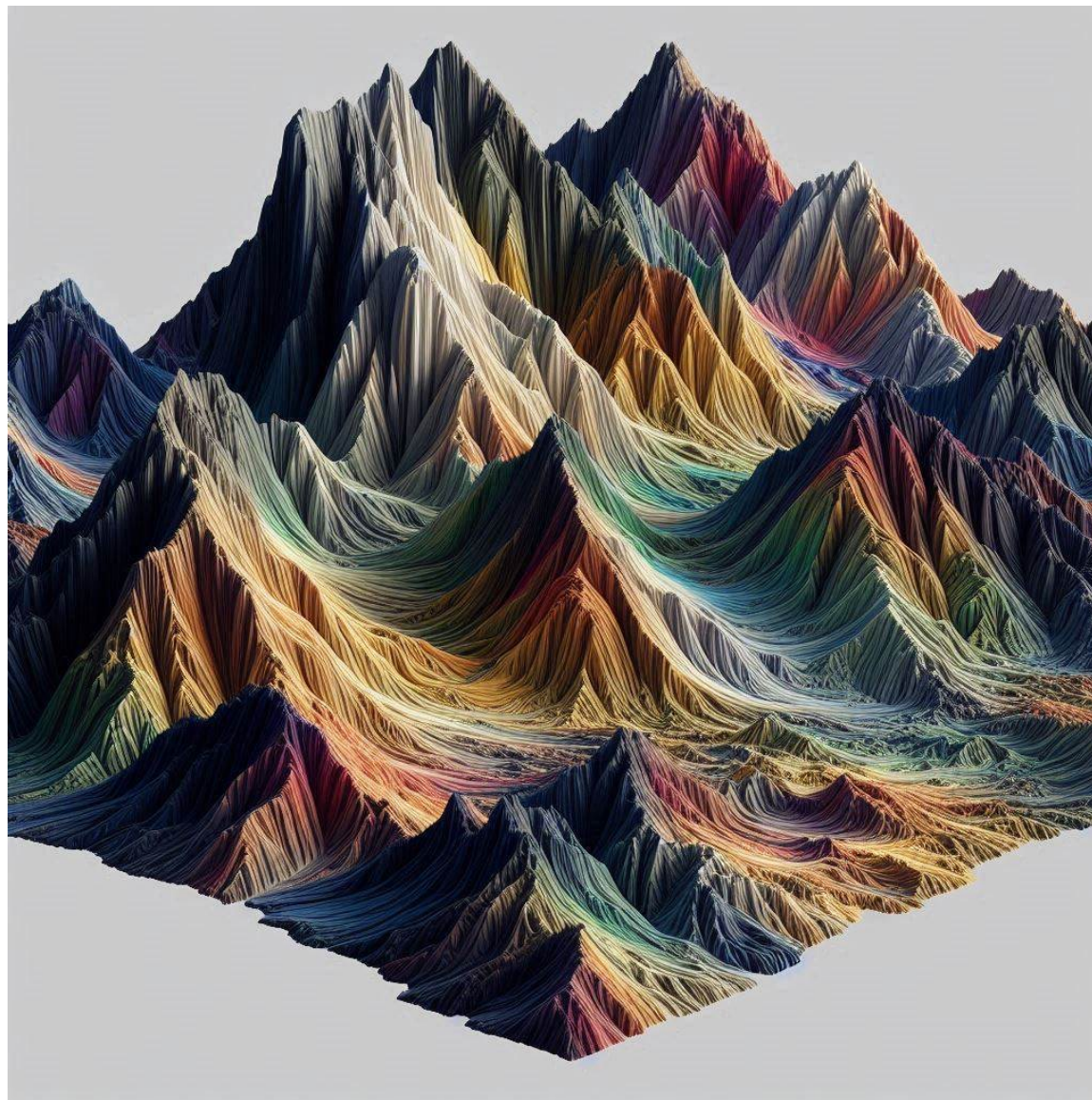
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**If Program A is adopted,
200 people will be saved.**

**If Program C is adopted,
400 people will die.**

This is ... good news



Designing Almost Fair Organizations



Designing Almost Fair Organizations



Pay Transparency
Laws Address Wage
Equality And Negotiation
Empowerment



Designing Almost Fair Organizations



Forbes

Does it?

ALMOST

Pay Transparency

Lawful Address Wage

Equality And Negotiation

Empowerment

Pay transparency



What we know


... what we don't (yet) know

America's Companies Are Being Forced to Reveal Your Salary

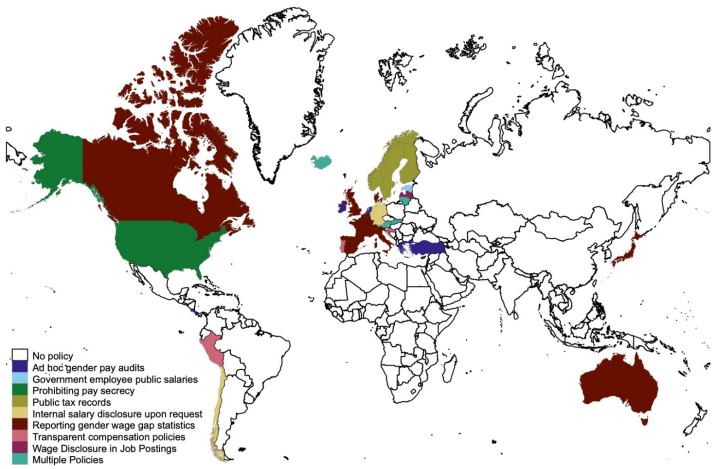
Published Aug 13, 2024 at 5:00 AM EDT

CLOSING THE GAP

More than 25% of U.S. workers are covered under pay transparency laws —that could soon be near 50%

 National Women's Law Center

New Polling Shows High Support for Pay Range Transparency in Georgia



Source: Cullen, 2024

America's Companies Are Being Forced to Reveal Your Salary

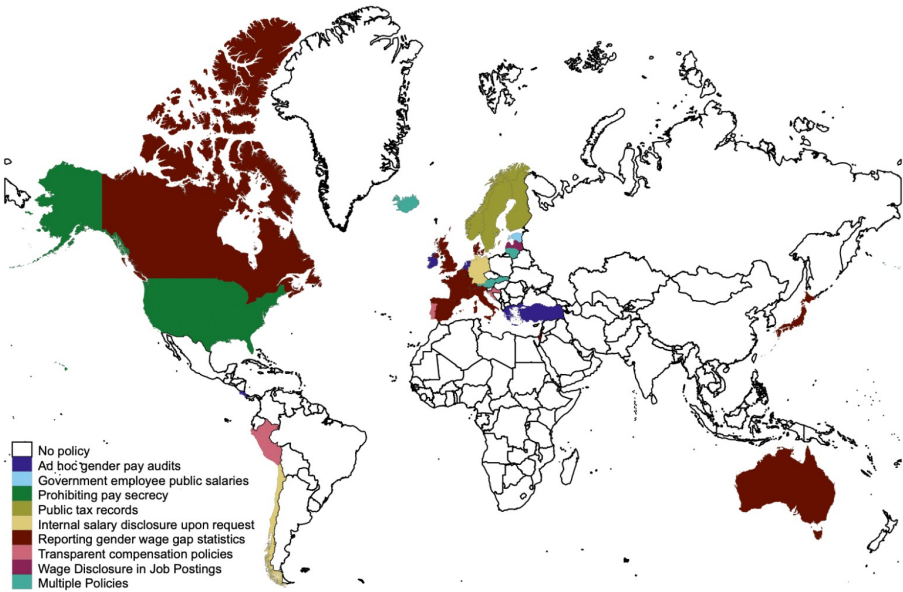
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CLOSING THE GAP

More than 25% of U.S. workers are covered under pay transparency laws —that could soon be near 50%

FIGURE I: CURRENT GLOBAL PAY TRANSPARENCY POLICY TYPES BY COUNTRY

prepare



respond

Source: Cullen, 2024

What is pay transparency?

Ex post pay revelation

- Right to discuss pay**
- Disclosure of aggregate statistics**
- Disclosure of gaps (e.g., within rank)**
- Disclosure of salaries**
- Full disclosure (e.g. tax statement)**

Ex ante pay revelation

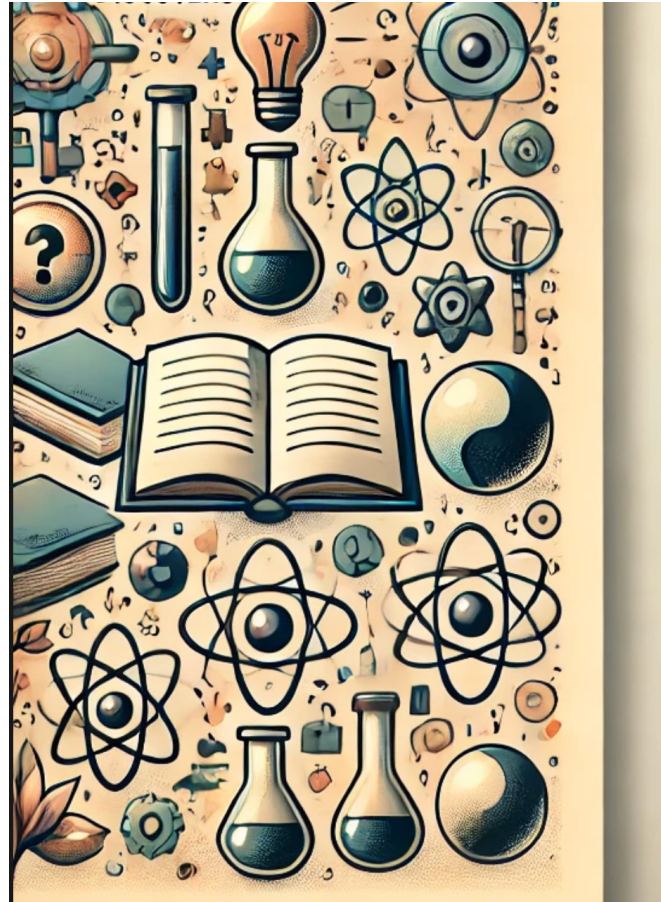
- Salary ranges**
- Salary caps**

Other measures

- Salary history bans**
- 'Formula' disclosures (e.g. LE)**
- Discrimination bans**
- Ad hoc audits**

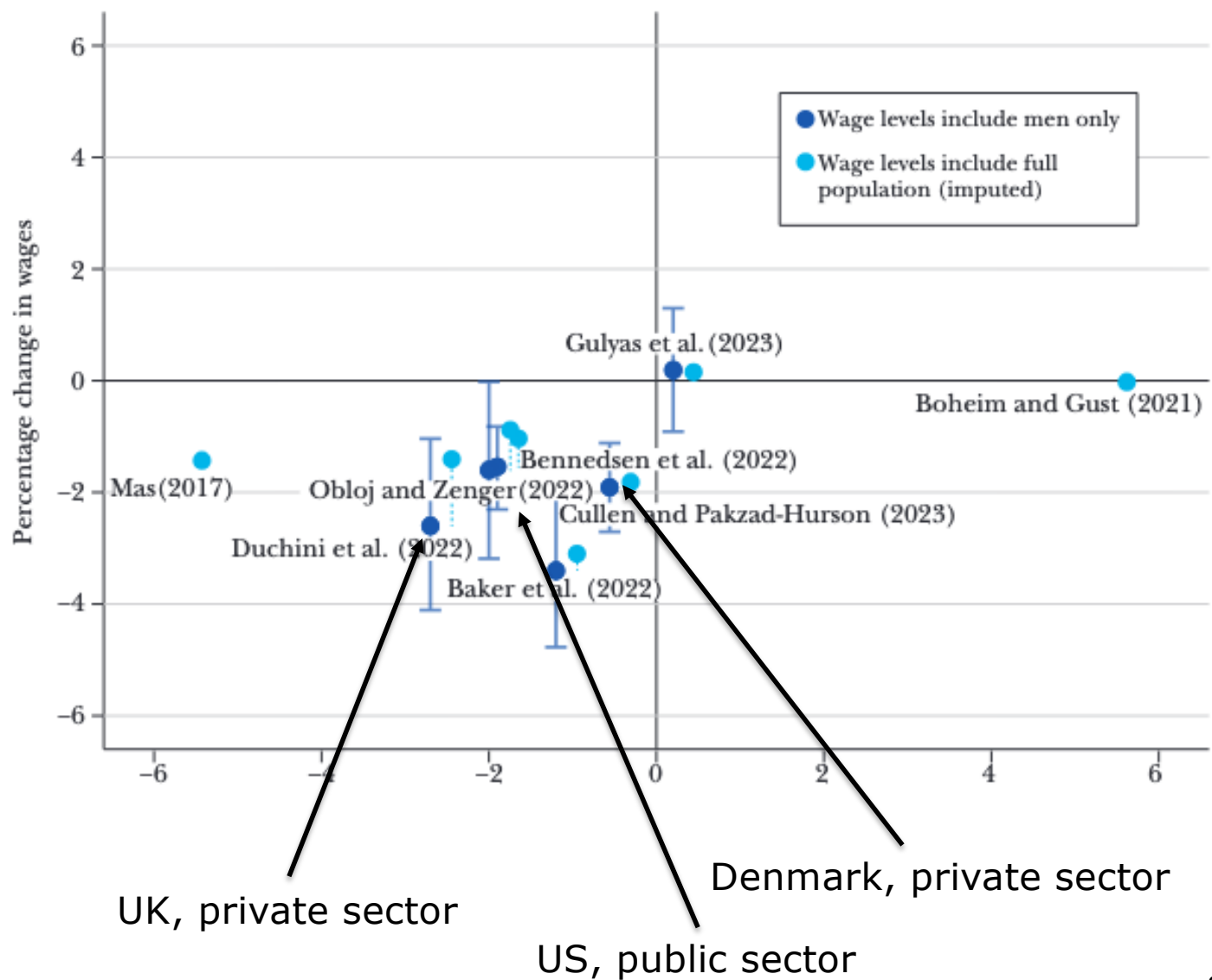
...

Pay transparency



What we know?

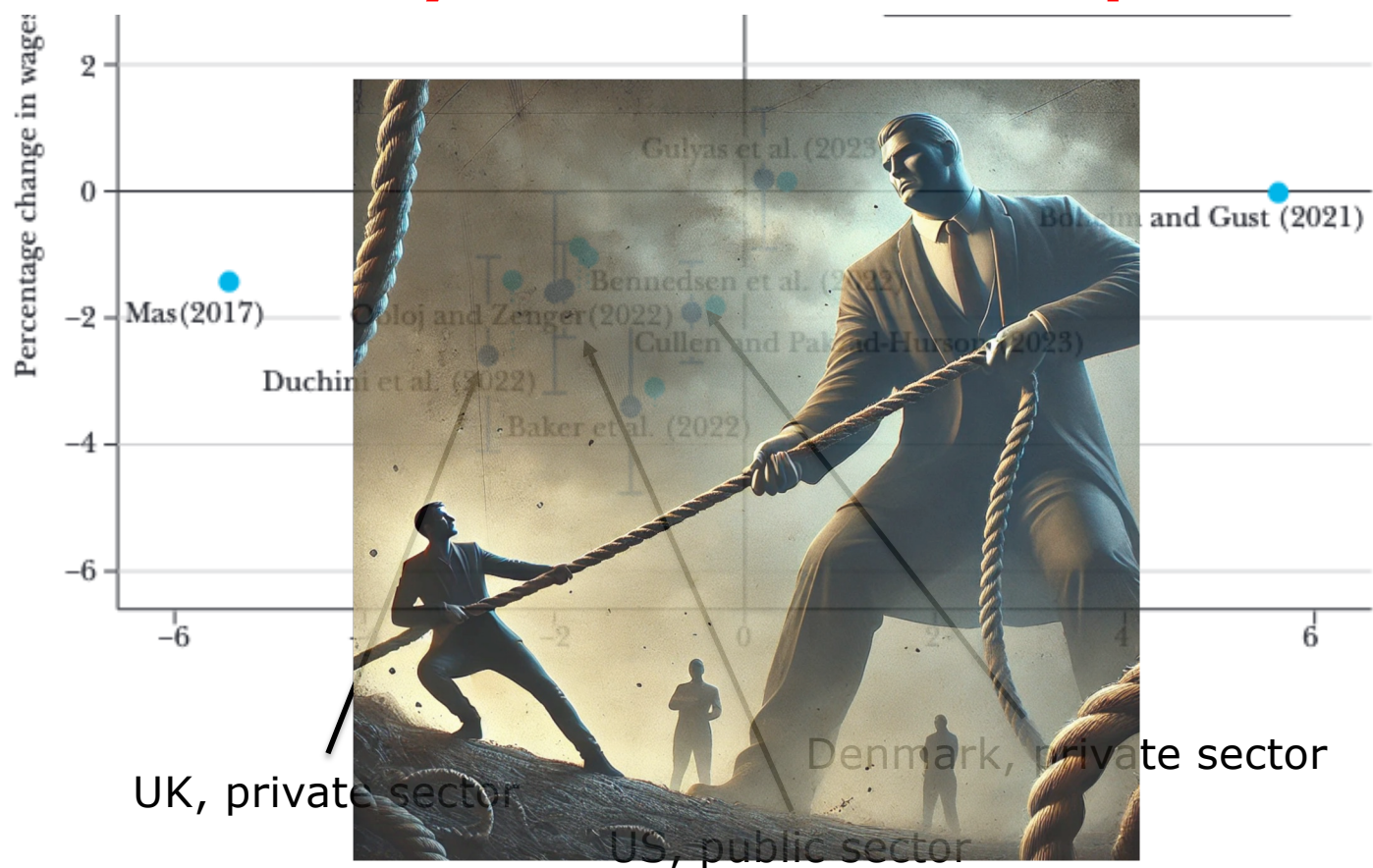
Pay transparency lowers wages, on average



Source: Cullen, 2024

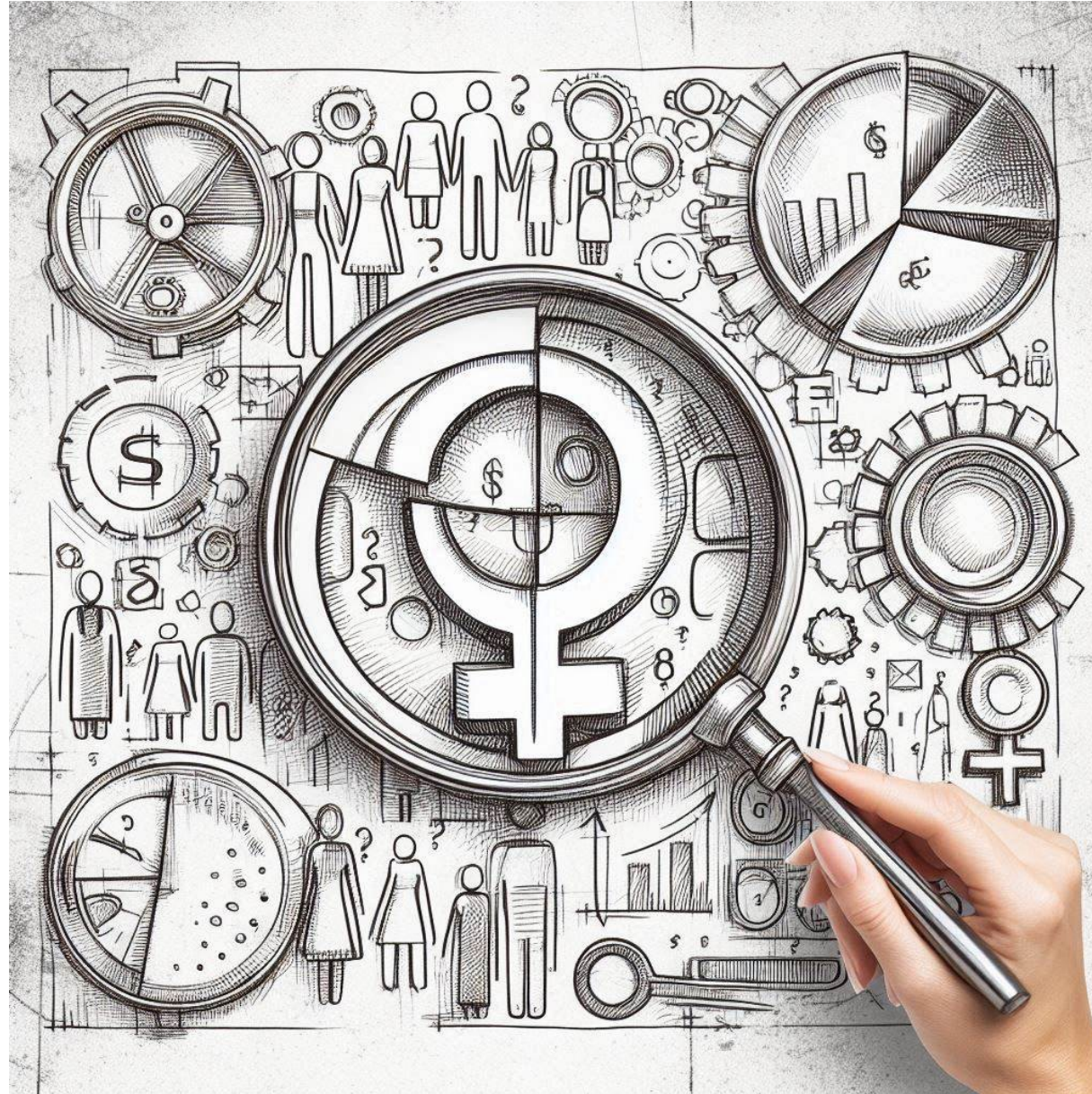
Pay transparency lowers wages, on average

Mechanism: \$1 wage increase becomes more costly for firms due to spillovers

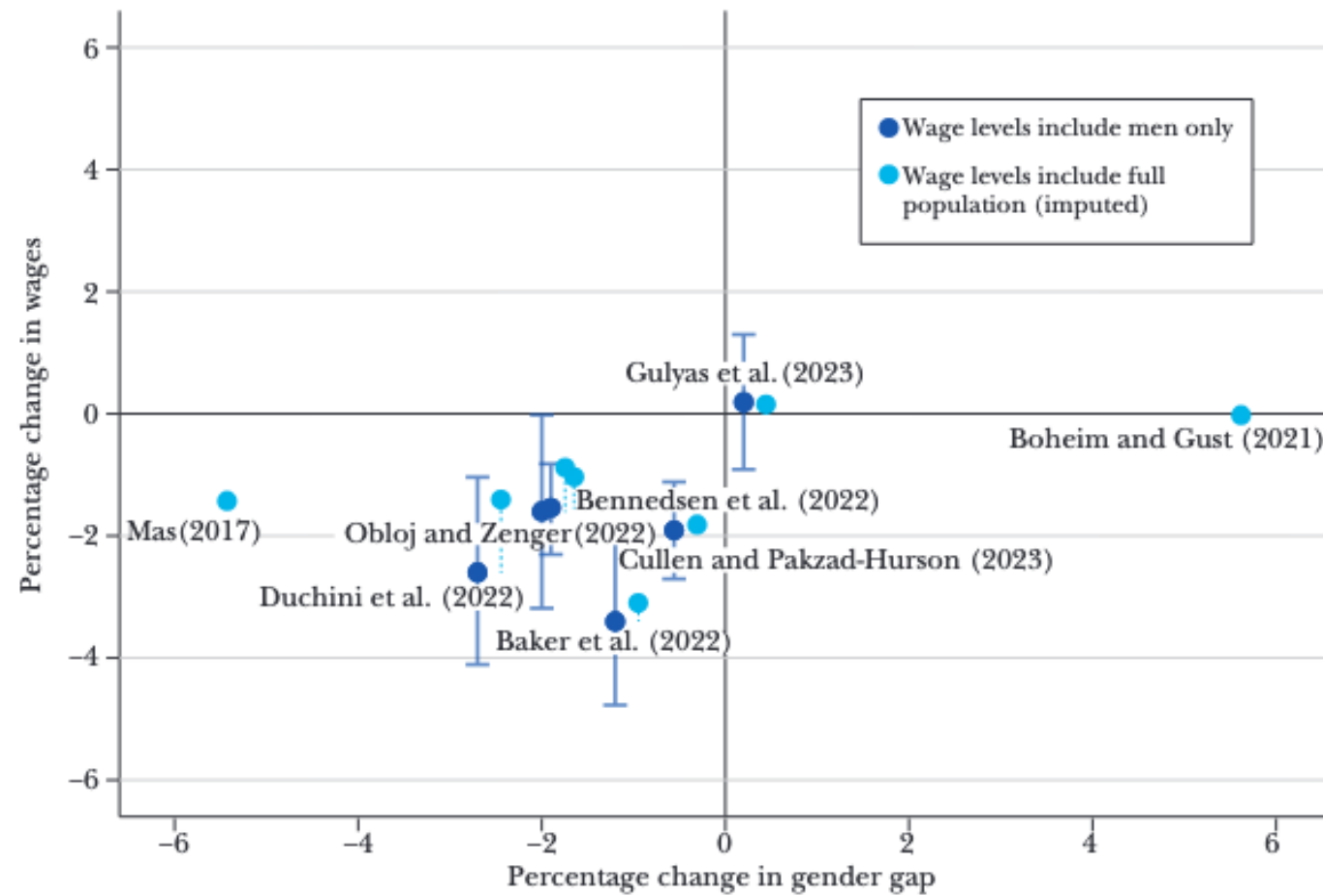


Source: Cullen, 2024

Pay transparency lowers gender pay gap



Pay transparency lowers gender pay gap



Method

Observables that should affect pay

- Effort
- Ability
- Productivity
- ...



Predicted Pay



Observables that should **not** affect pay

- Gender identity
- Ethnicity
- Socio-economic background
- ...

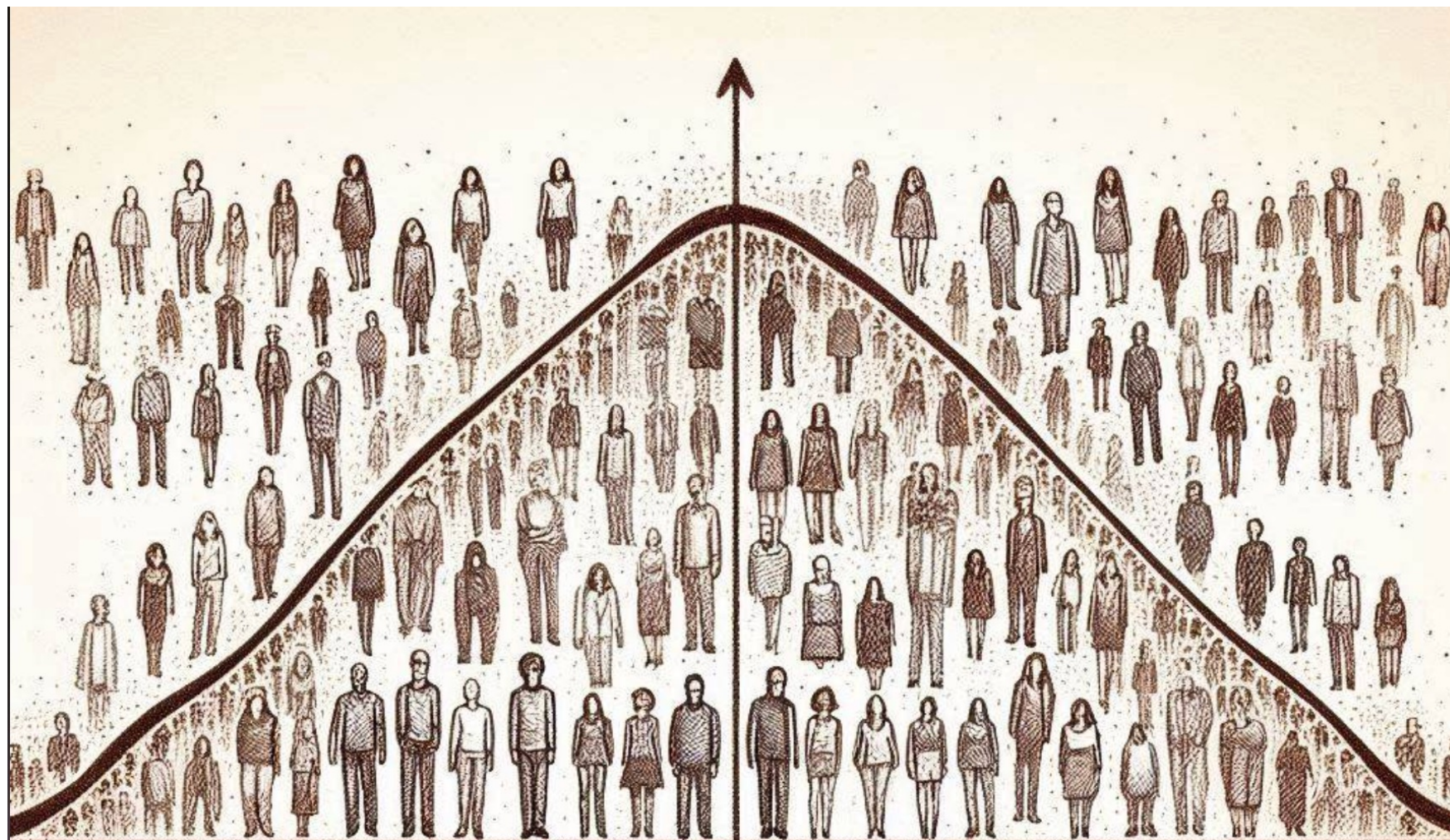


Observed Pay

Unobservables that should (not) affect pay

- Mentoring
- Attitude
- Smile
- ...

Error



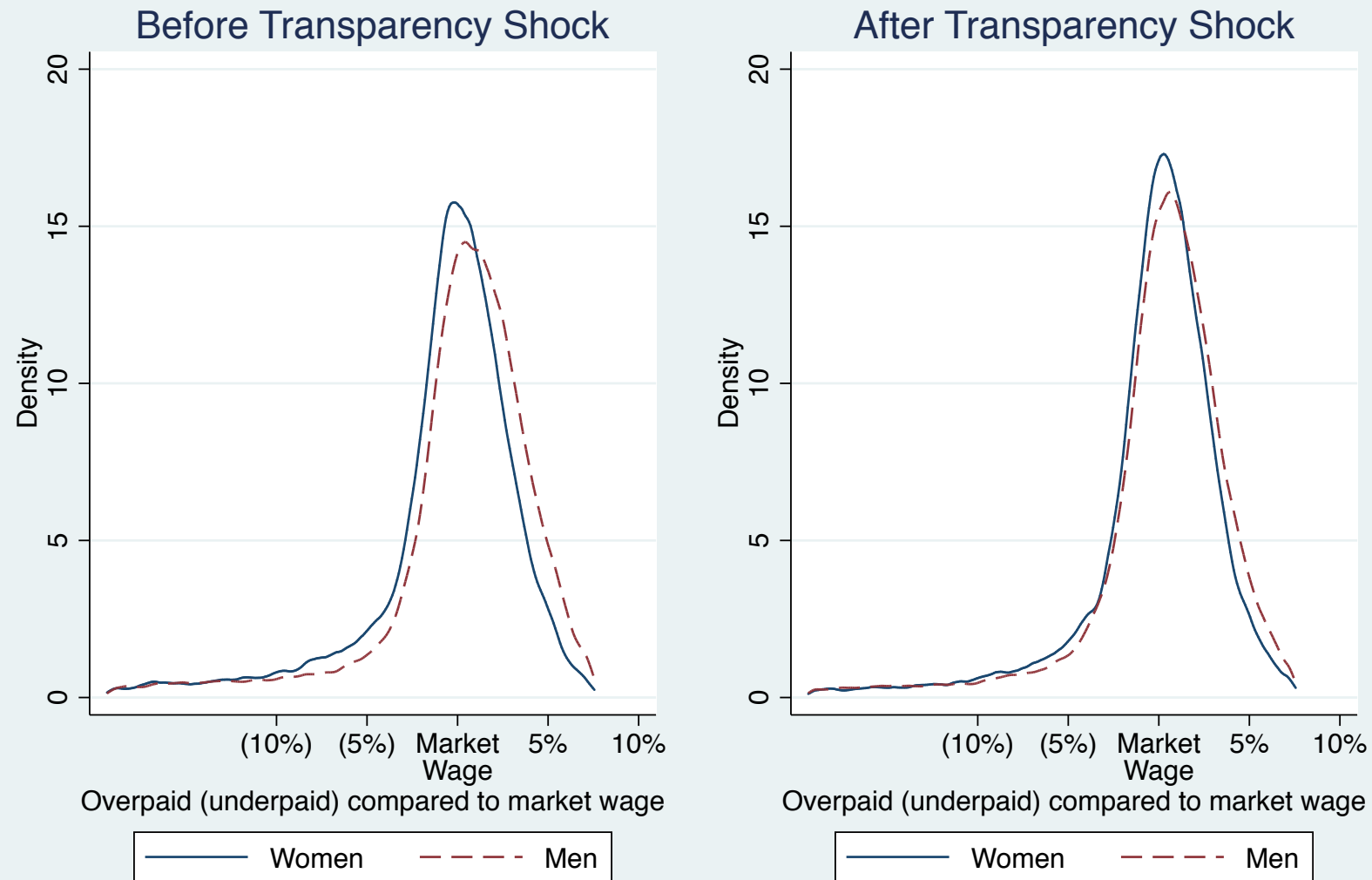
underpaid

fairly
paid

overpaid

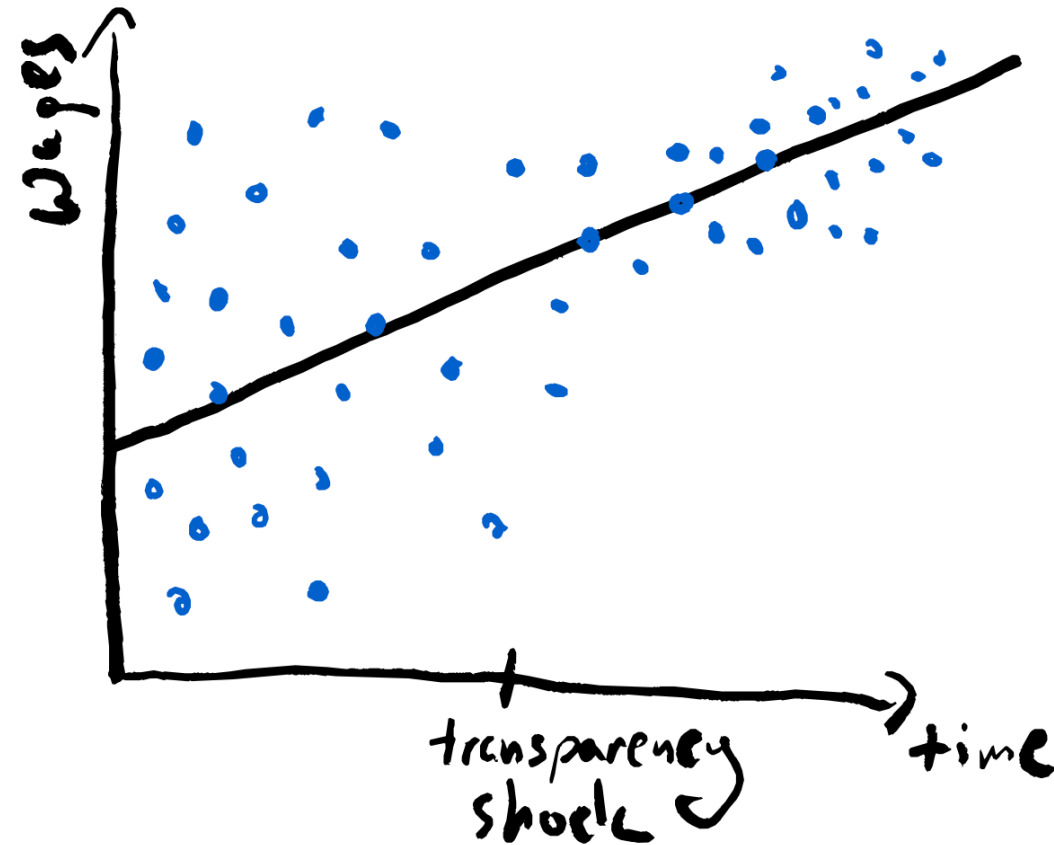
Fair market wage and gender pay gap

Market Wage Residual for Women and Men



Gender pay gap 6% → 3%

Pay transparency compresses wages



[Journal of Political Economy](#) > Volume 125, Number 5

[< PREVIOUS ARTICLE](#)



Does Transparency Lead to Pay Compression?

[Alexandre Mas](#)

Pay transparency mutes incentives



	Population	
Before/after transparency	Before	After
Academic articles	10.8%	5.6%
Patents	0	−0.2%
Books	3.3%	1.6%
Grants	8.1%	5.8%
Awards	0	0
Promotion to associate (compared with assistant professor)	14.5%	8.7%
Promotion to full (compared with assistant professor)	31.9%	25.2%

Wage differentials across hierarchical levels and between “stars” and “non-stars”

Source: Obloj and Zenger, 2022

Pay transparency



What we don't (yet) know

Not all transparency policies are effective

Not all transparency policies are effective

Forbes

EDITORS' PICK

Salary History Bans Fall Short As Men Voluntarily Reveal Pay, Study Shows

More states are requiring companies to list salary ranges on job ads—here's where

Published Fri, Jun 7 2024•9:19 AM EDT • Updated Tue, Jun 11 2024•4:06 PM EDT

Not all transparency policies are effective

Forbes

EDITORS' PICK

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Shows

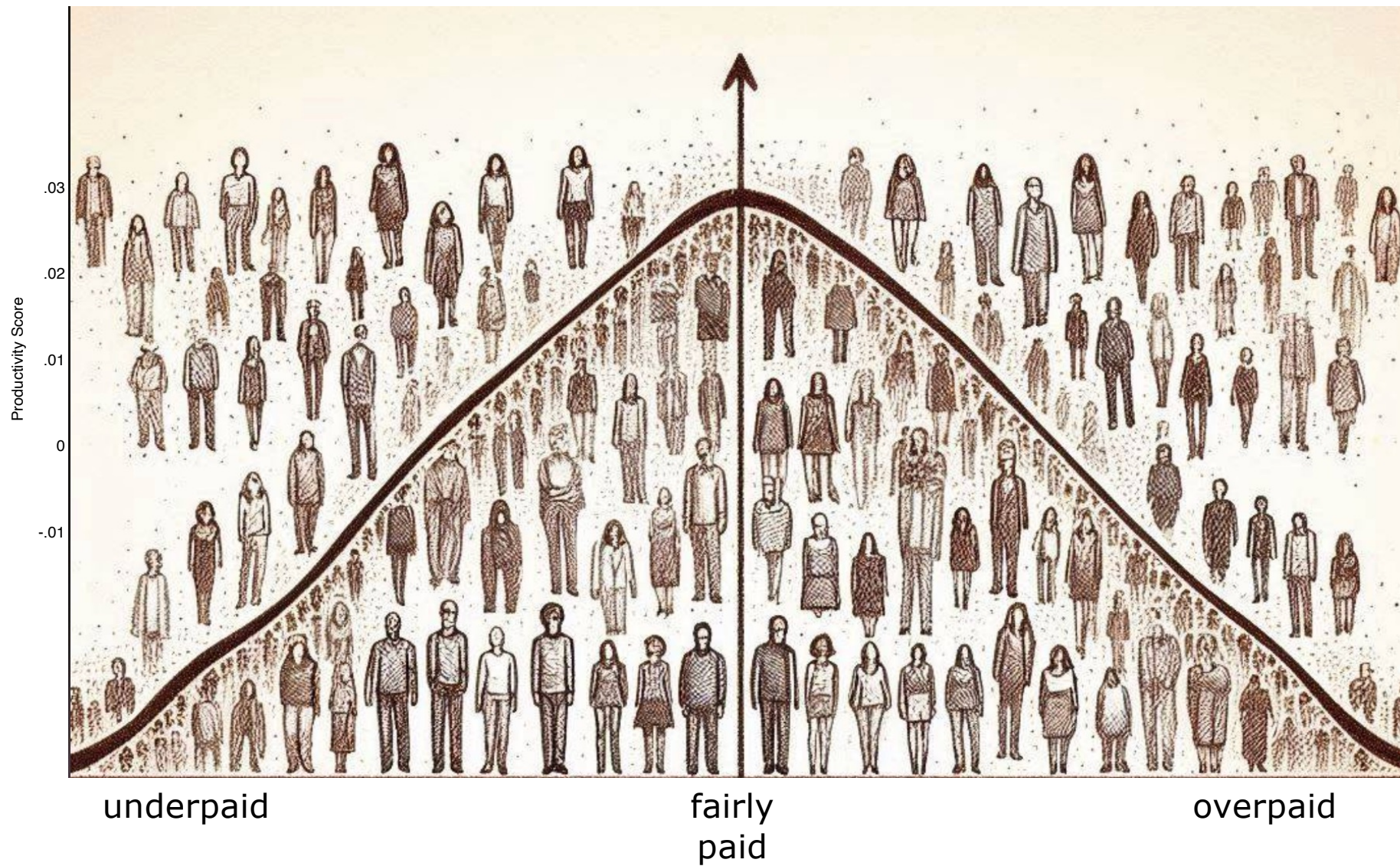


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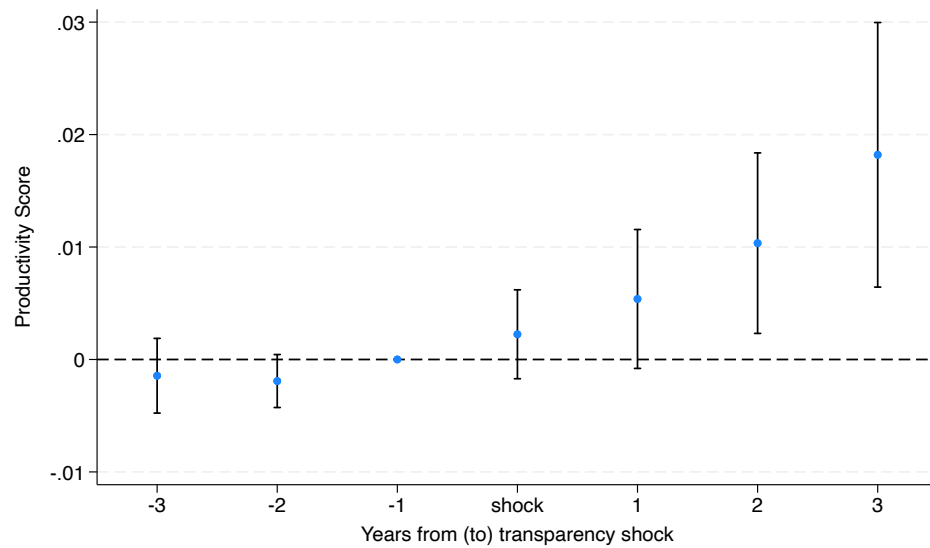
Transparency and performance

Transparency and performance

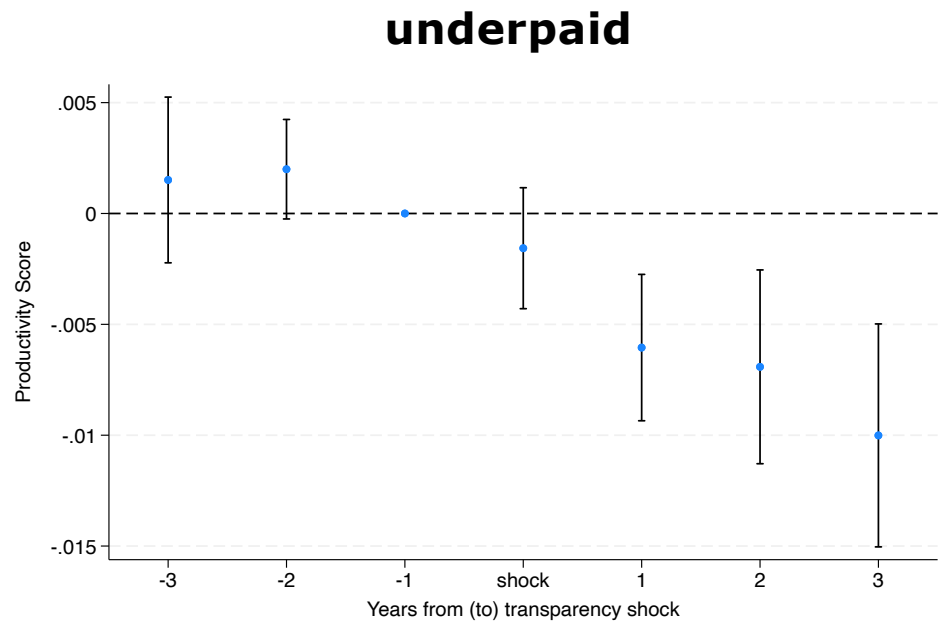


Source: Obloj, Gutierrez, Zenger, 2024

Transparency and performance



overpaid



underpaid

Pay transparency and mobility




- "Superstars" exit at a higher rate
- Underpaid have a higher intent of mobility

Talking about Fairness and Transparency



Breakout 2 – the Envy Test

Imagine that an employee comes to you and claims that they are unfairly paid compared with their peer who



Does a job of comparable difficulty to theirs



Is getting paid more than they are.



You believe that the differential is fair.



What data would you like to be able to show? What arguments would you use to convey fairness?

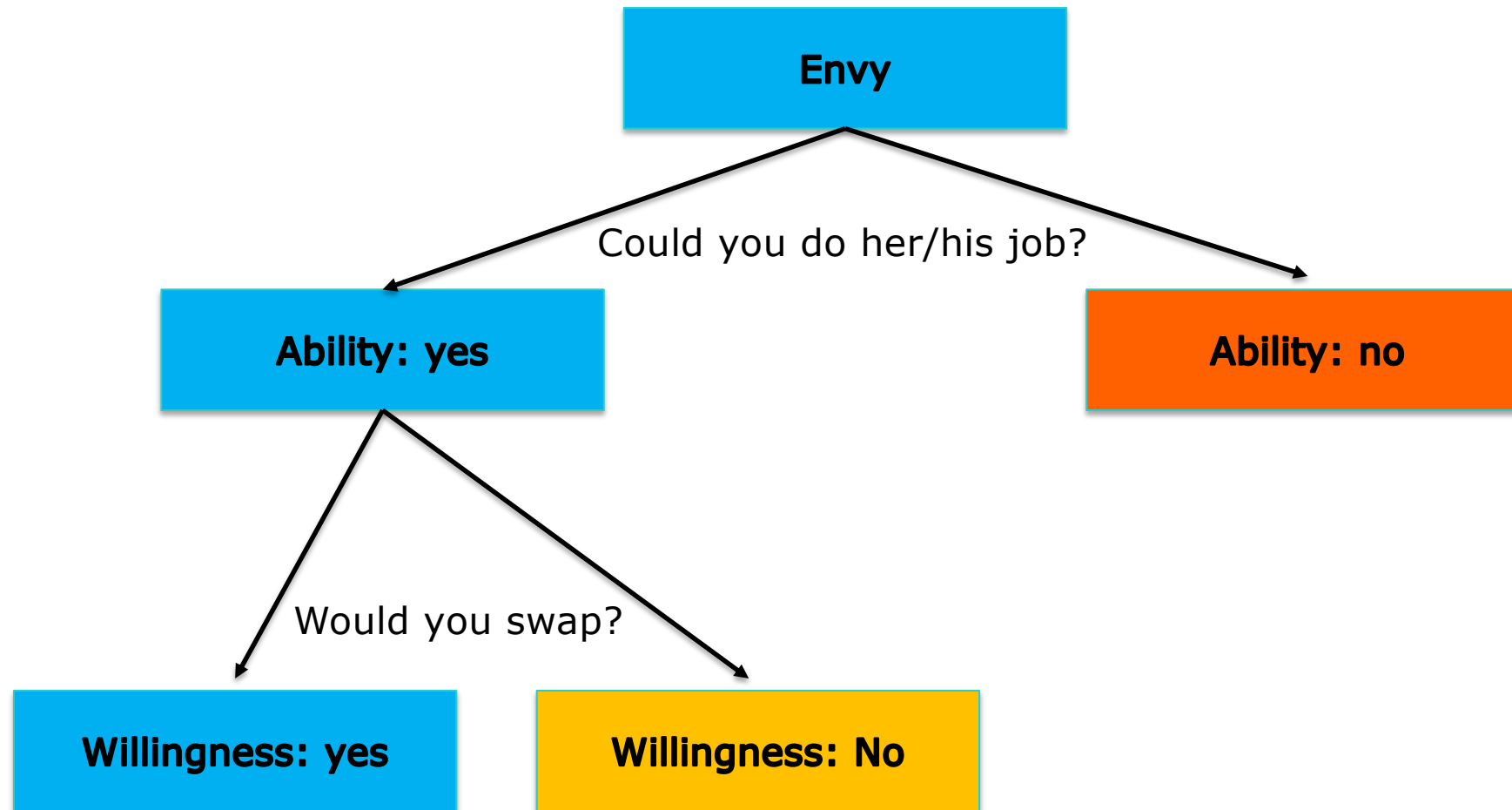
Path forward

- Prediction algorithm
- Outputs: Performance data (past and present)
 - Luck?
 - Opportunities?
- Inputs: Hours, 360 assessment, effort ...
- Tenure
- Scope of responsibilities
- Historical differential pattern
- ...



**→ Path towards closing the wage differential
(what it would take for the gap to disappear)**

Breakout 2 – the Envy Test



Breakout 2 – the Envy Test

Ability (could you?)			
Willingness (would you?)		Yes	No
	Yes	Potential unfairness	What can you do?
	No	Fairness	Stop being envious

Breakout 2 – the Envy Test

Ability (could you?)			
Willingness (would you?)		Yes	No
	Yes	Potential unfairness	What can you do?
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Thank you!



THANK YOU



- Please complete your survey

