Salary secrets could come back to bite firms

by
The Imprudent Accountant

This article is directed at Accountancy practices but you can see its application in any business with a few members of staff.

Salary secrecy has kept many workplace comparisons at the level of suspicion. If new rules bring salaries into the open, firms could be left explaining the gaps – and paying to close them.

According to an article in The Times, the Equality and Human Rights Commission (EHRC) has called for employers to be legally required to answer staff questions about what colleagues doing similar work are paid, in its response to the government's consultation on equal pay reform.

As The Times headline put it, "Do you want to know what your colleagues earn? You may get the right."

The article said the EHRC believed bosses "should be required to explain salaries, overtime, bonuses and differences in employee salary".

The commission's laudable remit is to eliminate racial and gender discrimination in pay.

However, I fear that in our profession, there would be unintended consequences, which might be of great benefit to many employees but very costly for firms.

Pay gaps can be hard to explain

There may be very good reasons why employees at exactly the same level are paid different salaries or have different packages.

This may come down to geography, length of service, experience or differing skill sets. However, those involved may not see things in the same light and may be shocked to learn that they are earning less than the person at the next desk.

In reality, the reason for the discrepancies will often be almost random and completely unjustifiable.

In principle, there is a simple solution that will not hit partners' bottom line: equalise pay by cutting it for those earning above average and raising it for those who are underpaid.

I can't wait to see any firm of accountants attempting to implement that policy. It would lead to mass walkouts, dissension and, ultimately, big pay rises for those who felt themselves disadvantaged.

The biggest shocks may come higher up

The problem is unlikely to lie at the bottom of the pay scale. There is a good chance that the few remaining secretaries and members of admin staff who have not been displaced by technology are on a fair pay scale that would not require adjustment.

Similarly, recruits entering at school-leaver or graduate level are likely to be paid the same, allowing for differences such as higher qualifications.

Once you get to the newly qualified level, issues are likely to emerge – for example, between those who trained with the practice and those recruited from outside – and become even more acute for managers and directors.

There must be some firms where each salaried partner knows how much every other one is getting, but they will be few and far between. To exacerbate the problem, there is every chance that

some will be rewarded far more generously than others, either because they operate in different disciplines or have stronger partners supporting them.

It can also come down to what we might regard as blackmail, where those who threaten to leave or hand in their notice are effectively rewarded for doing so, while meeker, more loyal employees or salaried partners find themselves unwittingly at a disadvantage.

Transparency could come at a cost

There could be an even more drastic consequence. Highly valued staff may be so incensed to discover that colleagues they consider (justifiably or not) to be inferior are paid the same or more that, rather than trying to negotiate an equitable uplift, they walk out of the door.

If the EHRC does succeed in persuading the government to introduce new powers of this type, accountants may need to budget for quite hefty increases in their salary bills and also accept the loss of valuable time as they have critical meetings with those who discover that they have been “cheated”, sometimes for many years.

As so often, the best defence might be staff lassitude or timidity. Unless our colleagues discover that any such legislation has been introduced and are then willing to go out on a limb, they might ignorantly or fearfully accept the status quo, much to our relief.