Inequality, Peer Salary Disclosure and Job Satisfaction: Evidence from a Field Experiment

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Earnings and income inequality in the US have increased significantly over the past three decades, both across skill groups and within group. In this project we investigate the effect of earnings inequality in the workplace on worker morale and worker mobility. In particular, we present data from a field experiment that manipulates access to information about co-worker pay. We quantify how job satisfaction, salary satisfaction and job mobility are affected by information on peer salary, depending on whether a worker pay is below or above that pay of her peers. Our findings are relevant to the debate on the effect of increased inequality on US society because they shed new light on the effects of workplace inequality on workers' morale.

The effect of information on workers job satisfaction are in theory undetermined. On one hand, if workers have imperfect information on their outside pay opportunities, information on peers' pay may be useful because it provides information on a worker own future pay. In this case, a worker who finds out that she is the lowest paid person in her unit among peers of comparable productivity should be positively affected. The reason is that this new information should lead her to update upward her expected future salary. The opposite is true for a worker who finds out that she is the highest paid person in her unit among peers of comparable productivity. In this case, the new information should lead her to update downward her expected future salary.

On the other hand, it is possible that a worker's welfare and job satisfaction depend not only on her own absolute earnings, but also on how her earnings compare with the earnings of her peers. In this case, a worker who finds out that she is the lowest paid person in her unit among peers of comparable productivity should be negatively affected. By contrast, a worker who finds out that she is the highest paid person in her unit among peers of comparable productivity should be positively affected.

In this project, we focus on employees of the University of California system. Since 2008, the Sacramento Bee has posted online salaries of all UC employees, but the existence of this web site is not well known to most workers. The data collection is ongoing, and is made of two stages. In the first stage, we contact a random subset of UC employees in each UC campus, and inform them of the existence of the web site. We call this group of workers the “treatment group’’. In the second stage, which occurs 10 days after the first stage, we survey all campus employees. We ask questions about job and pay satisfaction, about plans to move to a different employer and about their perceptions of inequality in the workplace. We then compare the answers provided by the workers in the treatment group with the answers provided by all other workers (which we call the “control group’’).

Our preliminary results indicate that workers in the treatment group have similar demographic characteristics to workers in the control group, but they have significantly more information about their peers' pay than workers in the control group. We then match workers' answers to publicly available administrative information on their salary and their peers' salary. This allows us to identify those respondents who are paid above their peers with respondents who are paid below their peers. Since the exact identity of the peer group is unknown to us, we experiment with alternative definitions, including (i) workers in the same occupation (faculty or staff), department and campus; (ii) workers in the same occupation and campus; (iii) and workers in the same occupation.

We use the difference in information on peers' salary between workers in the treatment group and in the control group to address the question of what is the effect of inequality in this workplace on worker morale, depending on a worker position in her peer group.