|  |  |
| --- | --- |
| **fixed vs. variable remuneration**  **deferred compensation** (pensions, retirement plans, and employee stock options)  **hourly rate of pay / hourly wage**  **base salary**  **bonuses** (performance-related, holiday, seniority)  **non-cash benefits** | **incentives**  **commission-based salary**  **earnings**  **performance-related pay**  **rise / raise**  **charge a fee for a service**  **payroll**  **pay slip** |

**Open salaries: outcomes from an experiment[[1]](#footnote-1)**

Some 20 months ago we decided to make salaries at Lunar Logic transparent. We documented the process: why, when and how we did that. The most interesting part of the story, though, is how it all **played out**. Obviously, we couldn’t have known it all **up front**.

The core of our approach to transparent salaries is that it’s not only about transparency but also about control. When we made our **payroll** transparent we also introduced a collaborative method to change our salaries, in other words, give ourselves r………. .

Let me start by sharing a few facts that show what has happened since the change. We’ve had 43 salary discussions, but almost half of them (21) were tr………..d automatically. This happens when someone joins Lunar and we need to **set** their salary, or when a **probation period** is about to finish, or we offer employment to our interns.

**Interestingly enough**, there has been only one occasion when someone proposed a raise for themselves. All other **threads** were started for someone else.

Participation in salary discussions has been healthy. It is very rare that less than one-third of the company speak up. Before you think it’s a hell of a lot of discussion, remember that we are a small organization. Right now there are 25 of us. It still means that there will typically be 8-12 people to share their views on a proposed raise.

These are just **bare facts**, though. The most interesting thing is how our attitude and behaviors have evolved over that time.

When I decided to write this article I **started off** by reading through the original posts about the change. What s……..k me was that so much of the project was about me. Understandably so. After all, it was mostly my initiative and facilitation to **drive the change**. However, by now it’s not “my” process anymore. It’s ours. Anything that happens with it is because of “us”, not “me”.

This means that the salary process is simply one of the things that we use naturally, and it isn’t perceived as a change that’s been im………. on the team. In fact, when we were summarizing the year 2015 many of us mentioned that making salaries transparent was a major a……………..t. Despite initial fears of some, we’re doing great. Two years ago I made a remark that “transparent salaries, once **in place**, aren’t much of a problem.” It seems I was right.

We obviously made mistakes. After initial **reluctance** to use the new tool, there was a time which we called a “raise **spree**”. We **would** discuss multiple raises at the same time and get pretty damn generous. That triggered discussions about the general financial situation of the company and about consequences of different decisions. As a result, we raised our awareness and got more careful with raises.

We’ve had our disputes about how we **speak up** in salary threads. We started with a **premise** that we want to be respectful. That’s not enough, though. Sometimes we may be respectful and factual, correct even, but it doesn’t make a useful argument for a raise. A simple fact that I’m good at, say, sailing doesn’t create an instant value for the organization.

Probably the most difficult lessons we learned was when we gave one of our developers a raise and then we **let him go**. In each case, we reached a collective agreement on what we wanted to do. Clearly, we made a big mistake either with one or with the other. **On the plus side**, we’ve learned a ton.

The process itself has also evolved. What was initially designed as a process to change existing salaries was adopted to decide salaries for **new hires**. Then we started using it to decide whether we wanted to offer a job after an internship. We introduced a d…………… for the end of discussions to provide a **constraint** on how much time there was to speak up. Some **heuristics**[[2]](#footnote-2) have been developed to guide us through the final decision making. My favorite one is about options. When voices are distributed across a few different salary levels we typically **go with** the lowest one as it provides us with most options for the future. We can always start another salary thread for that person soon (as has happened a couple of times), while it wouldn’t work **the other way round**.

The meta-outcome, which is something that we initially aimed for, is there, too. People are getting more involved in running the company and understanding the big picture. They are becoming more and more autonomous in their decisions, even when a significant amount of money is involved. I think it is **fair to say** that our payroll has actually become fairer.

I’m also happy about the change for one selfish reason. I’ve never learned to like, or even have neutral feelings towards discussions about raises with people from my teams. Several hundred of these discussions have definitely improved my negotiation skills, but my basic attitude hasn’t really changed. And suddenly I’m no longer a **party** in the negotiations. If I perceive myself as a party, I’m one of twenty-five. And not more important than any one of the rest. I guess almost every manager out there would feel the same: a huge r………f. **On top of that**, we’ve improved our overall performance. That’s a **double win**.

However, absolutely the best **emergent behavior** that has been triggered by open salaries is how we share feedback with each other. The pattern is so simple that it should have been obvious, yet I had no idea.

When we start a salary thread for someone and I have an opinion I will share it soon (typically a deadline for speaking up is around a week). However, to keep it respectful, before I write down my opinion in a discussion thread I will go talk to the person who is about to get a raise to share my feedback. After all, I don’t want them to be surprised, especially whenever I have some **critique** to offer. Suddenly, whenever we’re discussing somebody’s salary that person gets a ton of feedback.

That’s not all, though. If I have a critique to offer about something that is a few months old, I can hear in return **something along the lines** of “Hey, I wasn’t aware of that. Why didn’t you tell me earlier? I could have worked on that.” Now, I don’t know when we’ll be discussing a raise for that person, as anyone can start a salary thread at any time. This means that I’m actually **incentivized** to share feedback instantly.

That’s exactly what we’d love to achieve. And that’s exactly what we started doing to a huge extent. Despite the fact that for a long, long time at Lunar we were definitely above average **when it comes to** sharing feedback, I wasn’t happy. I wanted to see more peer-to-peer feedback. Despite different experiments I wasn’t happy until we changed the way we manage our payroll.

This is the best part of having transparent salaries. In retrospect, I’d **opt for** open salaries purely for that reason: much more high quality **peer-to-peer** feedback.

Right now barely anyone can imagine, **let alone** change back to, Lunar Logic without transparent salaries. Even if the transition was a **tad bit** tricky it **paid off big time**.

**Comment:**

IT WILL FAIL. Salaries are not open for a reason. It is against human nature. It might work when you have a small team everyone knows about everyone’s contribution and impact. But if you get larger, there will be different roles, different experiences , different abilities, hard to **quantify** impact etc. Unless there is a large gap of skill/contribution among people, for 99% of us, we tend to overestimate our own skills/impact and underestimate other people’s skills/impacts. So sooner or later everyone is gonna think they are **mistreated** and that they don’t deserve less than the other guy. God, good luck solving *that problem.*

**Reply:**

Which nature is that? The only reason why salaries are a secret is because if two people who did the same type of work at same efficiency found out that one of them is underpaid, there would be a mess. That salaries are to be secret is a strategy designed to benefit the employer, but as with all rotten things in hardcore capitalism, it’s a **short-sighted** strategy. **That’s not to say** that capitalism is bad (it’s great, but rotten capitalism as we live it today is really, really bad. It’s destroying everything.)

**UPDATE**: based on an interview conducted with Paweł Brodziński in 2022

* Currently Lunar Logic employs 37 people.
* With time, fewer and fewer employees contributed to salary threads because of higher expectations concerning the quality of submitted arguments and the fact that employee turnover in project teams was much lower (which means fewer opportunities to cooperate with others).
* It was necessary to introduce a system of assessment, which was developed in collaboration with the whole staff.
* Employees are evaluated every 6 months, and based on these evaluations they vote on how to share the amount of money allocated for pay rises; their votes are used to create a ranking of candidates, which the company owner selects those with the most votes. It is still possible to propose pay rises for individual employees.

**How to Determine How Much to Pay Your Employees**

Deciding how much to pay an employee is an issue that just about every employer str……… with at one time or another. It's often a **fine line between** paying enough to attract (and r……….) the best employees without breaking the bank. It can be particularly tough for small business owners who are quite often operating on **tight budgets**. So how do you determine what you should pay an employee? You should first make sure that you're **in compliance with** wage and hour laws. You should then be sure to offer a competitive wage. The best way to find out what a competitive wage is in your area is to find out what others are paying for the same type of work by o……….ing salary data.

Getting salary data can be used to determine what competitive pay is for the work you want done. There are also several other reasons you will want to keep **on top of** market rates:

* **Inflation.** Inflation causes the buying power of your employees' salary to decrease, when the dollar amount remains the same. Since many employers a………t for inflation each year, maintaining competitive pay may, in fact, require you to a……….t every 12 to 18 months.
* **Mobility of the workforce.** As the educational level of your employees rises, more will change jobs and change employers more frequently. At the lower end of the **pay scale**, **turnover** can be high and makes it necessary to keep track of who's getting paid what in the field where your employees work.
* **Credibility.** Without wage and salary data, it's impossible to know that you offer pay that is fair in relation to other employers. If your employees begin to feel **underpaid**, you won't be able to tell them, with confidence, that they're not.
* **Threat of unionization.** As your business grows and you gain more employees, you need to be aware that some unions have **targeted** small businesses for organization activity. If your pay is highly competitive, you reduce the likelihood that your workers will consider joining a union.

There are three basic ways of getting salary data:

* classified ads
* networking
* public information (official statistics)

1. Article was posted on **27 Oct 2016** by Paweł Brodziński, founder of Lunar Logic, a Cracow-based web and mobile development company. [↑](#footnote-ref-1)
2. a way of solving problems by finding solutions based on your own experiences [↑](#footnote-ref-2)