Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 09 Issue 02 February 2026

Article DOI: 10.47191/jefms/v9-i2-50, Impact Factor: 8.317

Page No: 1149-1159

Pay Equity and Transparency: An Overview of its Impact on Employee Trust and Performance in Canadian Organizations

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ABSTRACT

Background: Pay transparency laws are proliferating in Canadian provinces, but little empirical data exists to determine whether open-pay policies provide the desired organizational advantages in the Canadian workplace environment.

Aims: This comparative study investigated whether employees in open-pay organizations have significantly higher trust and performance ratings than employees in traditional confidential-pay settings, after adjusting for years of professional experience.

Methods: A quantitative cross-sectional design analyzed survey data from 300 employees across Canadian organizations. Independent samples t-tests and hierarchical multiple regression analyses were conducted using SPSS version 29 to test three hypotheses.

Results: Employees under open-pay policies reported significantly higher trust ($M = 4.02$, $SD = 0.65$) than those under confidential policies ($M = 3.44$, $SD = 0.79$), $t(276.78) = -6.85$, $p < .001$, $d = 1.02$. Performance ratings were also significantly higher in open-pay organizations ($M = 4.17$, $SD = 0.57$) compared to confidential-pay settings ($M = 3.80$, $SD = 0.69$), $t(278.08) = -5.05$, $p < .001$, $d = 0.54$. After controlling for years of experience, pay policy remained a significant positive predictor of both trust ($\beta = .376$, $p < .001$) and performance ($\beta = .284$, $p < .001$), uniquely explaining 14.0% and 8.0% of the variance respectively.

Conclusion: Pay transparency has been linked to significant benefits in employee trust and performance in Canadian organizations. This study offers empirical evidence on provincial pay transparency programs and indicates that compensation openness is a compliance measure and a strategic chance to improve organizational performance.

KEYWORDS: pay transparency, pay equity, employee trust, job performance, compensation policy, Canadian workplace

1. INTRODUCTION

1.1 Background

In North America, pay transparency has become a defining feature of modern compensation reform. In Canada and the United States, legal and administrative efforts have become more compelled to encourage employers to disclose salary ranges in job postings, report pay equity data or offer employees a better understanding of compensation structure (Bastone et al., 2026). For example, several US states and Canadian provinces have introduced salary disclosure mandates aimed at addressing systemic gender and racial wage gaps. These changes are reflective of broader societal issues that society feels about fairness, accountability, and equitable treatment in employment practices. From a theoretical perspective, pay transparency is based on organizational justice and equity theory. Employees can feel better about the compensation systems when they are aware of how the pay decisions are made. Transparency is suggested to boost perceptions of distributive and procedural justice, which are closely related to trust within an organization (Stofberg et al., 2022). Additionally, the open systems can decrease information asymmetry between employers and employees, which leads to credibility and psychological safety (Lindhout & Reniers, 2022). However, transparency can have undesirable effects as well. When there is public awareness about the pay differences, upward social comparisons can be raised, and this may lead to dissatisfaction or even conflict if not accompanied by equitable structures. Therefore, empirical analysis is required to find out whether open-pay policies always improve trust and performance outcomes in comparison to the traditional confidentiality systems.

1.2 Problem Statement

Despite increasing legislative and organizational trends towards pay transparency, there remains limited comparative examining on its direct effect on employee trust and employee performance in a North American context is scarce. While theoretical models suggest positive outcomes, empirical findings remain mixed. Some studies show an increase in fairness perceptions and trust, but others show the possibility of morale risks in case the disparities are visible (Adeleye, 2023). Organizations are unsure if open-pay systems enhance the performance of employees or if they just alter patterns of discontent. In the absence of a strict comparative evaluation, decision makers have no science-based advice on whether they should introduce open-pay models or continue with the traditional confidentiality procedures. Moreover, existing studies often fail to simultaneously examine both the trust and performance outcomes simultaneously, which limits our knowledge of how transparency influences organizational performance. Hence, the paper fills this gap by contrasting organizations that use open-pay policy with those that use confidential compensation systems with respect to employee trust and employee performance within a Canadian and U.S. context.

1.3 Research Questions

This study addresses the following research questions:

- RQ1: Do employees in open-pay organizations report significantly higher levels of trust than employees in confidential-pay organizations?
- RQ2: Do employees in open-pay organizations demonstrate significantly higher performance ratings than employees in confidential-pay organizations?
- RQ3: Does pay transparency significantly predict employee trust and employee performance after controlling for years of experience?

1.4 Research Objectives

- To determine whether employees under open-pay systems do report substantially higher average trust scores than employees under confidential-pay systems.
- To determine whether employees in open-pay organizations have significantly higher mean performance scores than employees in confidential-pay organizations.
- To examine whether pay transparency is a significant predictor of employee trust and employee performance after accounting for years of experience.

1.5 Research Hypotheses

Hypothesis 1

- $H1_o$: There is no significant difference in trust levels between employees in open-pay organizations and employees in confidential-pay organizations.
- $H1_a$: Employees in open-pay organizations report significantly higher trust levels than employees in confidential-pay organizations.

Hypothesis 2

- $H2_o$: There is no significant difference in performance ratings between employees in open-pay organizations and employees in confidential-pay organizations.
- $H2_a$: Employees in open-pay organizations receive significantly higher performance ratings than employees in confidential-pay organizations.

Hypothesis 3

- $H3_o$: Pay transparency policy does not significantly predict employee trust or performance after controlling for years of experience.
- $H3_a$: Pay transparency policy significantly predicts employee trust and performance after controlling for years of experience.

2. LITERATURE REVIEW

2.1 Theoretical Foundations

Pay transparency research is grounded primarily in organizational justice and equity theory. According to the equity theory, employees assess equity based on how their input-outcome ratios compare with others; when compensation is transparent, employees have an opportunity to make the comparison, which minimizes the perception of inequity (Chen et al., 2023). Like Muzumdar (2025), the organizational justice theory also states that transparency in payment will contribute to procedural and distributive justice perceptions, which are associated with trust and work attitudes. These frameworks predict that transparent

pay systems would decrease uncertainty and biased beliefs of unfairness and thus would decrease mistrust in the workplace and increase work-related attitudes (Schnaufer et al., 2021). Research synthesis also suggests that transparent, multi-dimensional communication regarding pay may affect attitudes such as trust and fairness related to pay, that in turn have the potential to influence behaviors like performance and turnover.

2.2 Empirical Evidence on Pay Transparency and Trust

Empirical studies increasingly examine how openness in compensation in employee trust. Stofberg et al. (2022) found that the relationship between pay transparency and job-related outcomes, including turnover intentions, is mediated by organizational justice and perceived support, implying that transparency itself is not enough to support trust, without favorable organizational conditions in terms of fairness practices. Their evidence from 299 employees indicated that the direct impact of transparency on turnover intentions was not as strong as the indirect impact on transparency through justice and support perceptions. It implies that the mechanism of trust and fairness is at the core of the perception of the effect of transparency on the attitude of employees (Stofberg et al., 2022). Furthermore, the perceptions of transparency in pay among employees and the perceived organizational support were also related, and this is conceptually equated with trust constructs in the field of organizational behavior studies. While studies differ in methodology and context, the consistency of findings of the results confirms that transparent pay practices have the potential to increase trust-related perceptions if employees perceive them as an indication of justice and concern.

2.3 Pay Transparency and Performance

The relationship between performance and pay transparency has drawn academic attention, with mixed findings. Transparency has no aggregate effect on worker performance but does have a differential impact by relative wage perception: workers perceiving to be underpaid react to equity concerns by adjusting effort (Baggio & Marandola, 2022). This underscores the complex ways in which transparency in motivation and performance, especially when employees make comparisons with others. Large-scale empirical evidence from academic settings revealed that productivity did not reduce after transparency initiatives, although responses varied based on what peers learned about wage fairness (Gutierrez et al., 2025). This means transparency may be not contradictory to maintain or to increase performance results, especially when it is combined with a fair payment system. Therefore, pay transparency can influence performance through a psychological effect on fairness perception, social comparison and motivation, and therefore, it should be considered with a mind towards direct outcomes and as a possible moderator along with context and individual perceptions.

2.4 The Canadian Context

Pay transparency is a changing policy requirement in Canada that is intended to minimize systemic pay inequities and promote workplace fairness. In 2021, the Pay Equity Act was enacted and obliges federally regulated employers to actively examine and document compensation practices so that they can provide equal pay to work of equal value, particularly when the changes involve a gender line (Employment and Social Development Canada, 2023). Several provinces have adopted or are adopting pay transparency bills that force employers to publish wage ranges in job advertisements and ban any pay history requests, including the Pay Transparency Act in British Columbia, which has been in force since 2023 and the Pay Transparency Act in Ontario, which will come into force in 2026 under revised employment standards (Half, 2025). may therefore exert stronger gender pay gap and wage disparities between demographic groups at Canadian workplaces in the future. According to Papamarko (2022), employers are increasingly incorporating transparent compensation practices to ensure that they meet the requirements of the regulations as well as to promote trust, retain talent, and establish equitable work environments.

2.5 Experience as a Moderating Variable

Another key aspect of pay transparency studies that has not been given much attention is professional experience. Older workers have more information on the labor market, may therefore exert stronger competitiveness in compensation. More experienced employees might possess more established expectations on compensation practices and be more aware of industry standards that can impact the extent to which transparency will impact their trust and performance (Jo & Shin, 2025). Therefore, transparency can provide less new information to the experienced workers, which mitigates its impact. Alternatively, the experience of the employees might create a higher equity expectation formed during career longevity, and the employees are more susceptible to breaches of transparency. Conversely, early-career employees face greater information asymmetry regarding appropriate compensation levels. Transparency may therefore exert stronger influence on this group by diminishing uncertainty and creating credibility in the organization. In this study, years of experience are used as a control variable to identify the specific contribution of pay policy.

2.6 Research Gap

While the current studies offer valuable information on the impact of open-pay policies on trust and the related attitudes, there are still some gaps. First, the empirical evidence on the comparison of the outcomes of trust and performance between open-pay and confidential-pay systems remains scanty, which is the focus of the research questions of this study. Second, there is limited research to unite years of experience as a quantitative control/moderating variable in the study of the impact of transparency. However, there are theoretical justifications to do so. Third, the empirical evidence of the effect of pay transparency on such positive results as trust and performance is limited to Canadian-specific studies. The gaps will be filled to improve the knowledge of the organizational impact of pay transparency and make evidence-based policy and managerial decisions.

3. METHODS

3.1 Research Design

This study employed a quantitative, cross-sectional comparative study design, which was suitable to compare employee perceptions and performance at a single point in time in two different organizational structures of pay policy open-pay and confidential-pay policy. The study utilized a between-groups design, in which employees were divided into two groups based on their organization's pay policy. Independent samples t-tests were used to compare group means on trust and performance.

3.2 Sample and Population

The sample size consisted of full-time employees working in Canadian organizations across private, public, and non-profit sectors. The convenience sampling approach was adopted, and the participants were recruited via professional networks, business associations, and social media platforms as Canadian professionals. The sample size of 300 was considered sufficient to achieve statistical power in identifying medium effect sizes when comparing independent samples with t-tests and conducting multiple regression analysis. According to power analysis guidelines, samples exceeding 200 are typically sufficient to make stable regression estimates when testing no more than five predictors.

3.3 Variables and Measurement

Independent Variable:

- **Pay Policy -** Categorical variable with values 1 = Open-pay policy, 0 = Confidential pay policy. The participants were asked to state whether their organization has transparent compensation practices where pay discussion is allowed or they have traditional confidentiality policies where communication about compensation is not allowed.

Dependent Variables:

- **Employee Trust -** Measured using a single-item Likert scale (1 = Very low trust, 5 = Very high trust). Participants rated their trust in the organizational leadership in terms of compensation choices and terms of employment.
- **Performance Rating -** Measured using a single-item Likert scale (1 = Very poor performance, 5 = Excellent performance). Participants indicated the last rating of their performance evaluation.

Control Variable:

- **Years of Experience -** Continuous variable measuring total years of professional work experience.

3.4 Instrumentation

Quantitative data were collected using a structured questionnaire, which was conducted online and was done through Qualtrics. The survey tool had four sections (1) informed consent and eligibility screening, (2) demographic data (years of experience), (3) organizational pay policy typology, and (4) outcome measures (trust and performance). The survey required approximately five minutes to fill out. To reduce respondent burden and at the same time measure constructs of interest, single-item measures were used.

3.5 Data collection

The data collection was made through an online survey platform. The involvement was voluntary. The purpose of the study, confidentiality protection, and the estimated time of its completion (about 8-10 minutes) were disclosed to employees. No personally identifying data was gathered. The questionnaire was given in English and French, which are the official languages of Canada. The survey was based on implied consent.

3.6 Ethical Considerations

The study adhered to ethical standards which aligns with the North American research guidelines. Participation was voluntary, and respondents provided informed consent prior to completing the survey. No personally identifiable information was collected. Data

was coded and kept safely in password-encrypted files that could only be accessed by the researcher. The findings were presented in aggregate form to avoid identifying the individual participants and organizations. The risk of the study was low because the questions were asked regarding general work perceptions, not sensitive aspects of the participants. The participants were made aware of the fact that they were allowed to withdraw whenever they liked without any penalty. The research design complied with concepts of confidentiality, respect for individuals and responsible data handling practices in line with institutional research ethics frameworks.

4. RESULTS AND ANALYSIS

4.1 Descriptive Statistics

Trust, performance, and years of experience were calculated using descriptive statistics based on pay policy groups (Table 1). The final sample was composed of 300 employees, 144 in a confidential pay organization, and 156 in an open-pay organization. Employees in open-pay companies indicated greater average trust (M = 4.02, SD = 0.65) compared to those in confidential-pay firms (M = 3.44, SD = 0.79). On the same note, performance ratings were higher in open-pay organizations (M = 4.17, SD = 0.57) compared to confidential-pay organizations (M = 3.80, SD = 0.69). The length of experience was similar among groups, with a mean of 8.06 years (SD = 4.08) in open-pay organizations and 8.87 years (SD = 3.74) in confidential-pay organizations. In the entire sample, the mean trust was 3.74 (SD = 0.77), the mean performance was 3.99 (SD = 0.65), and the mean years of experience was 8.45 (SD = 3.93). Preliminary inspection suggests that employees under open-pay policies recorded greater trust and greater performance, and variability in ratings was a bit low. The level of experience was not very skewed, which indicates that the differences between groups may not be motivated by the difference in tenure.

Table 1: Descriptive Statistics for Study Variables

Pay Policy		Trust	Performance	Years of Experience
Confidential	Mean	3.44	3.80	8.87
	N	144	144	144
	Std. Deviation	.791	.685	3.740
Open	Mean	4.02	4.17	8.06
	N	156	156	156
	Std. Deviation	.647	.566	4.078
Total	Mean	3.74	3.99	8.45
	N	300	300	300
	Std. Deviation	.774	.652	3.934

4.2 Pay Transparency and Employee Trust

An independent samples t-test was conducted with pay policy was taken as the grouping variable, and the trust was the dependent variable. The results of the unequal variances were interpreted because the test conducted by Levene revealed that there were unequal variances ($F = 25.83$, $p < .001$). The findings indicated a statistically significant difference in trust between the groups, $t(276.78) = -6.85$, $p < .001$. The trust of employees in open-pay organizations (M = 4.02, SD = 0.65) was significantly higher than trust in confidential-pay organizations (M = 3.44, SD = 0.79). The mean difference was 0.58 points on a 5-point scale. The effect size (Cohen's $d \approx 1.02$) indicates a large practical effect. Such a large value indicates that not only is pay transparency statistically significant, but it has a meaningfully significant relationship with employee trust. Practically, open-pay employees showed about 17 percent more trust levels than those who were in confidential systems. Therefore, across private, public, and non-profit spheres, the trust benefits for open-pay systems were consistent, which means that the identified relationship is strong regardless of the type of organization.

Table 2: Independent Samples T-Test Results for Trust by Pay Policy

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper

Trust	Equal variances assumed	25.832	.000	-6.908	298	.000	-.575	.083	-.739	-.411
	Equal variances not assumed			-6.853	276.775	.000	-.575	.084	-.740	-.410

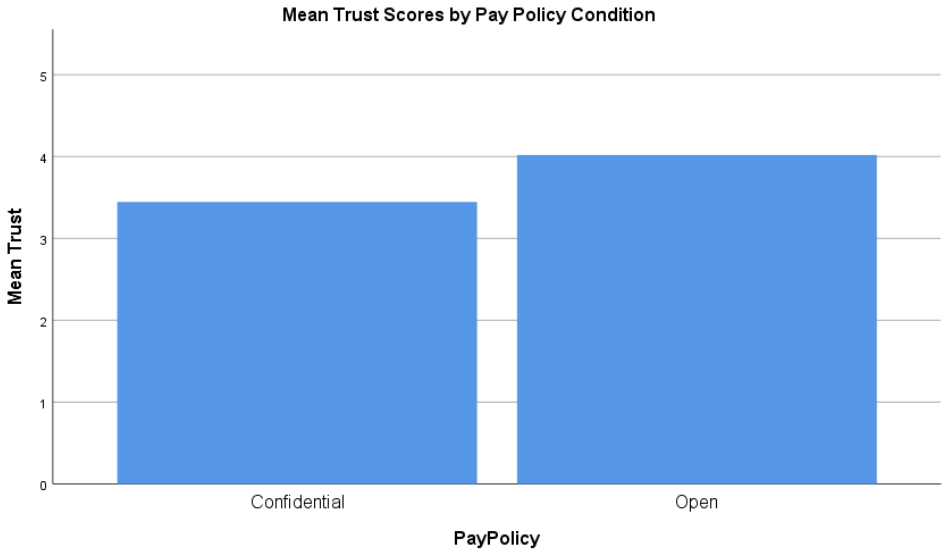


Figure 1: Mean Trust Scores by Pay Policy

These findings provide strong support for Hypothesis 1. The employees working under open pay policy have higher trust scores than those in confidential environments. The size and statistical significance of this difference are maintained in different subsample analyses. Therefore, because $p < .001$, the null hypothesis ($H1_o$) was rejected. There is a statistically significant difference in trust between pay policy groups, and employees in open-pay organizations report significantly higher trust levels.

4.4 Pay Transparency and Employee Performance

An independent samples t-test was conducted with performance as the dependent variable. The test of Levene showed that the variances were unequal ($F = 8.66$, $p = .004$); thus, the results of unequal variances were interpreted.

Table 3: Independent Samples T-Test Results for Performance by Pay Policy

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
Performance	Equal variances assumed	8.655	.004	-5.087	298	.000	-.368	.072	-.510	-.226
	Equal variances not assumed			-5.048	278.081	.000	-.368	.073	-.512	-.225

Results revealed a statistically significant difference in performance between groups, $t(278.08) = -5.05$, $p < .001$. The performance rating of employees in open-pay organizations ($M = 4.17$, $SD = 0.57$) was reported to be higher than the performance rating of the employees in confidential-pay organizations ($M = 3.80$, $SD = 0.69$). The mean difference was 0.37 points. The effect size (Cohen's $d \approx 0.54$) represents a medium effect. Though it is less than the effect observed when it comes to trust, the difference is practically significant. The performance rating of the open-pay employees was also about 9% higher than that of their counterparts. Distributional analysis further supports this conclusion. Most open-pay employees (93%) rated performance as 4 or 5, compared to 74% of confidential-pay employees. Conversely, the confidential systems had lower ratings.

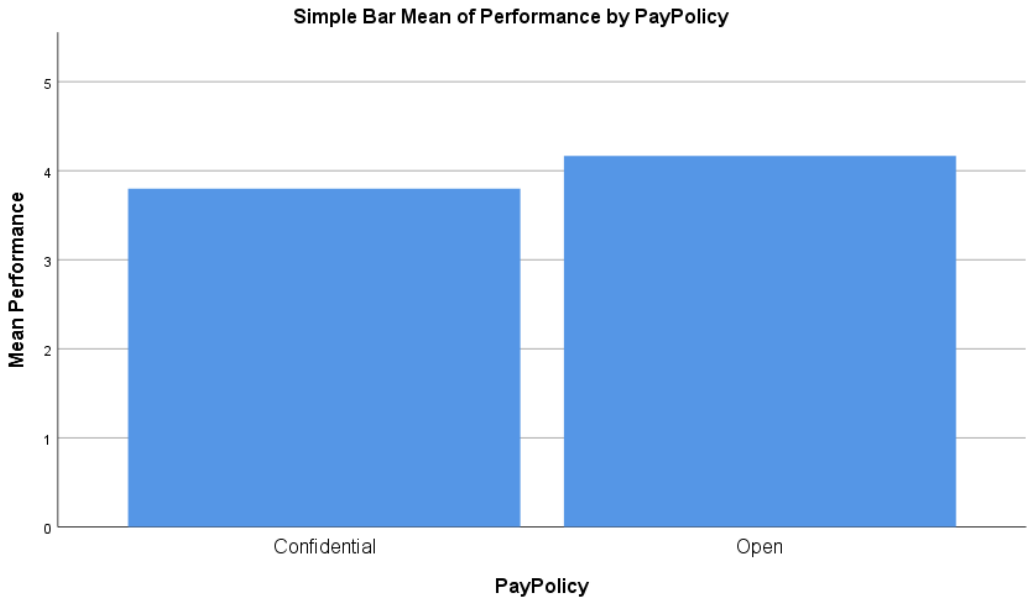


Figure 2: Mean Performance Ratings by Pay Policy

Since the p value is < .001, the null hypothesis ($H2_o$) was rejected. There is a statistically significant difference in performance between pay policy groups, with open-pay employees reporting higher performance ratings. These findings confirm that the employees working in open-pay organizations would show much higher performance ratings than those working in confidential-pay organizations and indicate that pay transparency is linked to better performance outcomes.

4.6 Predictive Relationship Controlling for Experience

Hierarchical Multiple Regression: Trust as the Dependent Variable

A two-stage hierarchical multiple regression was conducted with trust as the dependent variable. Years of experience were entered in Step 1, followed by the pay policy in Step 2. In Step 1, years of experience was entered into the model. Experience did not significantly predict trust (b =.003, p =.956) and did not account for any significant amount of variance (R^2 = .000). In Step 2, the pay policy was added. Pay policy inclusion greatly enhanced model fit (ΔR^2 = .140, p < .001). The final model accounted for 14% of the trust variance (R^2 = .140, F(2, 297) =24.13, p <.001). Pay policy was a significant positive predictor of trust (b =.376, p <.001). The trust scores of employees in open-pay organizations were found to be about 0.58 points higher than in confidential systems, with experience as a control variable. Years of experience remained non-significant. These findings show that pay transparency is a powerful predictor of trust regardless of employee tenure. Since the pay policy significantly predicted trust after controlling for years of experience (p < .001), the null hypothesis ($H3_o$) was rejected for trust. Pay transparency significantly predicts employee trust independent of tenure.

Table 5: Hierarchical Regression Results for Trust

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.003[a]	.000	-.003	.776	.000	.003	1	298	.956
2	.374[b]	.140	.134	.721	.140	48.251	1	297	.000

a. Predictors: (Constant), Years of Experience

b. Predictors: (Constant), Years of Experience, PayPolicy

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	.003	.956[b]

	Residual	179.235	298	.601		
	Total	179.237	299			
2	Regression	25.051	2	12.526	24.127	.000[c]
	Residual	154.186	297	.519		
	Total	179.237	299			

a. Dependent Variable: Trust

b. Predictors: (Constant), Years of Experience

c. Predictors: (Constant), Years of Experience, PayPolicy

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.738	.106		35.172	.000					
	Years of Experience	.001	.011	.003	.055	.956	.003	.003	.003	1.000	1.000
2	(Constant)	3.371	.112		30.106	.000					
	Years of Experience	.008	.011	.042	.776	.439	.003	.045	.042	.989	1.011
	PayPolicy	.581	.084	.376	6.946	.000	.372	.374	.374	.989	1.011

a. Dependent Variable: Trust

Hierarchical Multiple Regression: Performance as the Dependent Variable

A Parallel hierarchical regression was conducted using performance as the dependent variable. In Step 1, years of experience were not a significant predictor of performance (β = -.019, p = .742) and explained a negligible amount of variance (R^2 = .000). In step 2, pay policy was introduced and made the model much better (ΔR^2 = .080, p < .001). The final model accounted for 8% of the variance in performance (R^2 = .080, F(2, 297) = 12.91, p < .001). The performance was largely predicted by pay policy (β = .284, p < .001), indicating that open-pay employees received an average score of 0.37 points higher than confidential-pay employees when experience was held constant. Therefore, years of experience were not significant in the final model. Because pay policy significantly predicted performance after controlling for years of experience (p < .001), the null hypothesis ($H3_o$) was rejected for performance. Pay transparency significantly predicts employee performance independent of years of experience.

Table 6: Hierarchical Regression Results for Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.019[a]	.000	-.003	.653	.000	.109	1	298	.742
2	.283[b]	.080	.074	.627	.080	25.706	1	297	.000

a. Predictors: (Constant), Years of Experience

b. Predictors: (Constant), Years of Experience, Pay Policy

ANVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.046	1	.046	.109	.742[b]
	Residual	126.924	298	.426		
	Total	126.970	299			
2	Regression	10.157	2	5.078	12.912	.000[c]
	Residual	116.813	297	.393		

Total	126.970	299

a. Dependent Variable: Performance

b. Predictors: (Constant), Years of Experience

c. Predictors: (Constant), Years of Experience, Pay Policy

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.017	.089		44.913	.000
	Years of Experience	-.003	.010	-.019	-.330	.742
2	(Constant)	3.784	.097		38.820	.000
	Years of Experience	.002	.009	.010	.182	.856
	Pay Policy	.369	.073	.284	5.070	.000

a. Dependent Variable: Performance

5. DISCUSSION

This study examined the relationship between pay transparency policies and employee performance in Canadian organizations. In this case, it focused on trust and employee performance, with years of experience being a controlled factor. The findings provide clear and consistent evidence that open-pay policies correlate with greater trust among employees and better performance scores than confidential pay systems. Therefore, the findings indicate that compensation transparency is not only a structural policy difference, but a significant organizational aspect affecting employee attitudes and behaviors.

The strongest finding of the study concerns employee trust. Employees working in open-pay organizations reported significantly higher levels of trust than employees in organizations where pay was kept confidential. The effect size was large as the difference between two conditions was statistically and practically significant. Employees exhibited a shift from moderate to high trust as transparent systems increased their trust well beyond the level they previously held. This finding closely aligns with organizational justice theory, which argues that transparent and consistent processes increase perceptions of fairness and increase trust in leadership (Haider et al., 2022). When compensation processes are visible and understandable, employees are better able to evaluate whether the results are fair. Conversely, pay secrecy may create uncertainty, which may lead to negative perceptions about favoritism or inequity.

Importantly, years of experience did not significantly predict trust when pay policy was added to the regression model. This implies that transparency influences the level of trust at the levels of experience. Even the employees with long professional experience said that they trusted open-pay environments more. Transparency serves not only as an informational tool but as a symbol of responsibility, transparency, and integrity of the organization (Ferreira et al., 2022). The study also found that employee performance has a positive relationship with pay transparency. There was a moderate effect size in which employees in open-pay organizations were rated much higher in performance than in confidential systems. Although this difference is not as significant as the effect of trust, it is practically significant. Open pay systems enhance motivation as they explain the relationship between effort, performance, and remuneration, which is in line with the expectancy theory (Stofberg et al., 2022). When employees clearly understand how performance translates into compensation outcomes, they may be more motivated to meet or exceed expectations.

Additionally, transparency may encourage greater consistency and objectivity in managerial evaluations. When pay decisions and performance policies are more transparent, managers can be more rigorous in their decisions because they are aware that their judgments might be questioned. Pay policy was a significant predictor of performance despite the moderation of the years of experience in some of the analyses, which indicated that experience was a modest predictor of performance. This means that transparency has its own performance implication other than accumulated tenure or experience. The practical significance of these findings is substantial. Organizational effectiveness is a fundamental aspect that is supported by trust, which has been associated with employee engagement, commitment, collaboration, and turnover intentions. One of the significant effects of pay transparency is a significant rise in trust, which implies that it may have ripple effects across the organization. Similarly, even moderate improvements in performance ratings can result in a significant productivity increase when put in place in a complete workforce.

These findings have significant implications for organizational leaders, human resource professionals, and policy makers. Strict pay confidentiality policies must be reevaluated by leaders since they are likely to destroy trust and reduce performance potential. Transparency should not be introduced immediately; the organizations can start by releasing the salary scales, explaining the pay requirements, or sharing more information regarding the payment evaluation procedures. HR professionals ought to make sure that, before transparency initiatives are undertaken, the pay equity audits are done, since disclosing inequities without correcting them could harm trust. The findings can be considered by policymakers, especially in the Canadian context where transparency legislation is being broadened, as supportive evidence that transparency policies can bring about positive organizational results and not just regulatory burdens. Despite its contributions, the study has limitations. Due to the cross-sectional design, definitive conclusions about causality cannot be drawn, and performance was assessed by ratings instead of using objective measures of productivity. Future research should use longitudinal designs to assess causal relationships and investigate the possible intervening variables, such as perceived fairness or motivation, in future research. Generalizability would also be enhanced by expanding the research into different organizational and cultural settings.

6. CONCLUSION

The phenomenon of pay transparency has become a prominent organizational practice that has substantive implications for the attitudes and performance of employees. The findings of this study demonstrate that the open-pay policies are closely associated with the increased rates of employee trust and slightly increased performance ratings in comparison with the confidential pay systems, despite the years of experience. Transparency promotes the appearance of fairness, accountability and clarity, which leads to increased trust in leaders and work force motivation. In the context of Canada, where pay transparency policies are increasingly being introduced, these results suggest that such policies may have beneficial effects on organizational functioning that go beyond regulatory functions. Although transparency is an aspect that must be-treated with care, paying attention to the equitable pay and the related communication protocols, the advantages that can be harvested are immense. Consequently, salary transparency should not only be considered as a compliance issue, but also as a strategic instrument to build trust, enhance performance, and contribute to long-term organizational success.

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