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Trustworthiness and Image: The Benefits of Pay Transparency in Recruitment

*An Experimental Study on the Impact of Pay Transparency on Application Intentions
and the Mediating Role of Employer Image and Trustworthiness*

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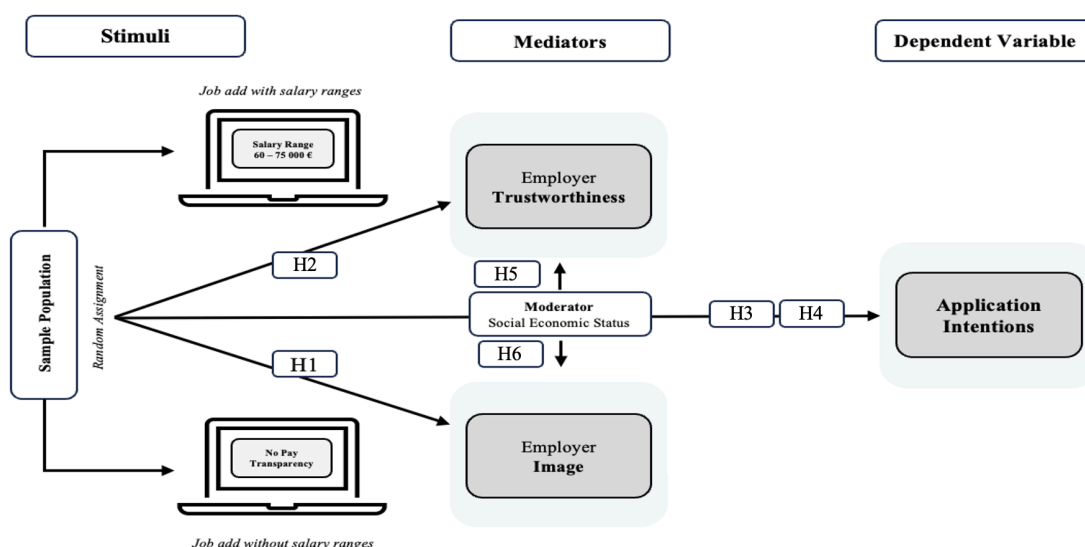
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- ABSTRACT -

The EU Pay Transparency Directive will require firms to adopt transparent pay practices to address the gender pay gap and promote equal pay for equal work. This transformative shift will particularly impact job advertisements of all companies across Europe. While previous research has primarily focused on the effects of pay transparency from the perspective of current employees, its impact on job-seekers and prospective employees remains underexplored. This study investigates the effect of pay transparency in job advertisements on application intentions, and the mediating role of employer image and trustworthiness. A quantitative questionnaire, including items on perceived employer image, trustworthiness, and application intentions, was administered to 200 business school students in Stockholm, Sweden. The findings indicate that pay transparency in job advertisements significantly increases application intentions through enhanced perceptions of employer image and trustworthiness. These results suggest that managers should view the upcoming legislative changes not with skepticism, but as a strategic opportunity for early adoption to enhance their competitive edge in attracting talent. By breaking traditional information barriers, firms can comply with regulatory demands while gaining a competitive advantage in the talent market.

Keywords: Pay Transparency; Employer Branding; Employer Image; Trustworthiness, Application Intentions; Pay Information Disclosure; Recruitment Strategy; Organizational Trust; EU Pay Transparency Directive; Gender Pay Gap; Signaling Theory

Graphical Abstract



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1. Introduction

How does pay transparency (PT) versus no pay transparency (NPT) in job advertisements influence the decision-making process of potential applicants? As PT becomes mandatory in job advertisements, the exploration of this question is of great importance for companies seeking to adopt a strategic approach to legislative change. For corporations, the introduction of an additional strategic lever within the realm of employer branding could offer substantial benefits and serve as a competitive edge in the intense competition for talent. Figuring out the right approach is now crucial, as new mandates are expected to be implemented throughout the EU by 2026. With these changes, pay information will be transparent from the first point of contact with prospective employers, fundamentally changing the job application experience. The directive's primary motivation is to address the pay gap between men and women, currently amounting to a noticeable 11.2% in the EU (Leythienne & Pérez-Julián, 2022). The potential to address this discrepancy by breaking the traditional information barrier between firms and employees has been highlighted by the legislative body (Leythienne & Pérez-Julián, 2022; European Parliament and Council of The European Union, 2023). Taking this into account, it is imperative for businesses to embrace, rather than exploit, the upcoming directive. Ideally, the directive should be viewed as a strategic tool, rather than an additional burden. This study is conducted with the ambition of providing the theoretical perspective needed to support this shift, examining how increased transparency in pay affects students' application intentions. Specifically, the experimental study explores how perceived employer image and trustworthiness mediate application intentions, based on the level of transparency of pay information in job advertisements, providing clear insights into the transformative potential of transparent pay practices.

1.1 Background

1.1.1 The Global Legislative Developments in Pay Transparency

There is a global movement towards PT transforming the dynamics of labor markets, recently evidenced by the EU directive introducing new compliance requirements by 2026 (European Parliament and Council of The European Union, 2023). The implementation of this directive follows a large degree of research investigating the current gender pay-gap within the European Union. Overall, the unexplainable difference in pay between men and women amounted to 11.2%, whilst the total gap corresponds to 14.4% (Leythienne & Pérez-Julián,

2022). The unexplainable gap illustrates the differences not applicable to worker and workplace characteristics, referring to factors as education, occupation, and the time spent working. As the largest degree of compensation discrepancies remain unexplained, it is suggested that an increased amount of transparency would help to uncover potential biases fueling un-equal pay for work of equal value (European Parliament and Council of The European Union, 2023). Overall, The EU directive aims to strengthen the principle of equal pay for equal work by addressing the information asymmetry found between employers and employees, aiming to address the gender pay gap (European Parliament and Council of The European Union, 2023; AON, 2023).

The EU directives present new research avenues regarding the effects of pay information availability for job seekers. Potential employees will now have access to salary bands which traditionally have been unavailable when exploring job advertisements. By investigating this change one can better understand recruitment practice dynamics in light of this legislative change, highlighting appropriate strategic directions for firms.

1.1.2 Employer Branding in Contemporary Talent Acquisition

The importance of understanding how to position an organization in the light of changes in realms connected to talent acquisition and management is not understated. Both academia and industry highlight the heightened competition for attracting talent, underscoring the strategic importance of talent acquisition in today's job market.

The "war for talent," a term first used in the late 1990s to describe the intense competition to attract and retain skilled employees, has persisted in medium- and high-complexity roles, where the impact of high performers is significantly magnified. For instance, the productivity gap between top and low performers is substantial, amounting to as high as 800% in medium- and high-complexity roles (McKinsey, 2017). Furthermore, a global CEO survey by the Conference Board in 2016, highlights that the demand for talent is a top concern.

To maintain competitiveness in recruitment, companies have been incentivized to undertake strategic initiatives in the domain of employer branding. Closely related to the concept of brand equity, employer branding was originally defined as the set of benefits an organization offers their employees, creating a positive image of the firm (Ambler & Barrow, 1996). Since

strong brand equity from consumers perspective has long been linked to competitive edges, it is no surprise that similar relationships have been found in regards to the employee perspective. For instance, a strong employer brand can enhance job pursuit intentions and lead employees to accept lower pay compared to peers in the industry (Theurer et al., 2018; Lievens et al., 2016; Ritson, 2002). Considering this, firms who seek to maintain and develop a competitive edge, should be interested in how newly imposed legislation presents challenges and or opportunities within the realm.

To analyze the behavior of job seekers and firm's ability to attract talent, it is essential to focus the analysis on applicants' behavior. Analogous to consumer behavior, where a strong brand attracts customers and additional competitive benefits, a powerful employer brand correlates with increased job application intentions (Aaker, 1991; Keller, 1993; Theurer et al., 2018). Moreover, Lievens and Highhouse (2003) underscores a clear link between the favorable perception of an employer, the organization's image and increased willingness to apply for jobs. This not only positions the concept of employer image as an aspect of employer branding but also as a key factor influencing the effectiveness of recruitment efforts.

The increased availability of pay information will impact the job seeking context. This presents avenues for research around constructs known to drive application intentions such as employer image, a dimension of employer branding relevant to job seekers.

1.1.3 Pay Transparency and Its Impact on Employment Preferences

Committing towards an employer is an important decision which marks a significant phase of an individual's life. According to Boston Consulting Group (2023) compensation is the primary factor influencing employer preferences for graduates of higher education, highlighting pay's prominent role in the job seeking context. Compensation benchmarking can be defined as the practice used by prospective and current employees to evaluate the competitiveness and equity of their compensation offerings. This practice highlights the importance of compensation information as a crucial source in this context (Gerhart and Rynes, 2003). Besides reflecting industry perceptions, and the prioritization of individuals, the importance of compensation has also been highlighted throughout academic research. For instance, compensation has been identified as one of the primary factors driving employment

intentions among business school graduates.(Aboul-Ela, 2016; Chhabra & Sharma,. 2014; Verma et al, 2024). As discussed by Lievens and Highhouse (2003), the image of an employer and the intentions of job seekers to pursue further contact with the firm is closely related. The perception of an organization's image is developed through a comprehensive blend of individual encounters with the company, inclusive of all encounters with information and the ensuing mental connections established (Gatewood et al., 1993). This suggests that the introduction of new information, which job seekers were previously unaware of, has the potential to modify their views of the company, thereby influencing their decision to pursue additional engagement (Gatewood et al., 1993; Turban and Greening, 1997).

The recruitment context is characterized by an information asymmetry between candidates and prospective employers, which forces candidates to draw conclusions in regards to factors subject to imperfect information. This is aligned with how Spence (1973) suggests that agents with limited information utilize cues and signals to guide their decision making, something which is also being established as particularly relevant in the recruitment context (Rynes & Miller, 1983). Factors such as organizational image, compensation and benefits, culture, and corporate social responsibility significantly influence the intentions to apply for positions within certain organizations (Gatewood, Gowan, & Lautenschlager, 1993; Gerhart & Rynes, 2003; Verma, Kaur, & Bhasin, 2024; Turban & Greening, 1997; Greening & Turban, 2000). With more information available for evaluation, potential candidates may refine their overall assessments of a firm.

However, even with more information, the inherent risks candidates face when committing to a job remain. This is where trust towards the employer becomes vital. The decision to commit to an employer involves significant uncertainty, making trust a vital component in the recruitment process (Kedharnath et al., 2020)

The information asymmetry discussed by Rynes and Miller (1983) can also be evaluated whilst considering the risk undertaken by potential employees when committing to a job. The decision to commit to an employer entails a degree of risk in this context, underscoring the role of trust in this commitment (Kedharnath et al., 2020). It has been demonstrated that access to additional information and greater transparency not only strengthens trust in various contexts but also that an increase in trust can boost individuals' willingness to apply for certain positions (Kedharnath et al., 2020). This connection highlights the importance of

considering how new information impacts trust and, subsequently, application intentions, emphasizing the critical need to explore these dynamics further.

1.1.4 Exploring the Pay Transparency Continuum

Within the evolving landscape of PT practices, the legislative developments observed have created additional academic interest in investigating the field. Brown (2022) contributes to this discourse by introducing the notion of the PT continuum, a framework that categorizes the varying levels of pay information disclosure between employers and employees. This continuum ranges from complete secrecy, where salary details are closely guarded secrets, to full transparency, wherein comprehensive compensation data is openly shared among all organizational stakeholders.

Building on the framework of the PT continuum introduced by Brown (2022), the recent legislation marks a shift towards the higher end of this spectrum. Examples of newly imposed mandates is the disclosure of initial pay ranges, the prohibition of past salary inquiries, and the banning of forcing pay secrecy within the organization. These developments take firms into new territory regarding their impacts on organizational perception and employee dynamics. This transition holds particular relevance in the context of an intensifying "talent war", where the strategic significance of managing firm reputation and employee relations cannot be understated.

Despite its under-explored status, especially in light of legislative shifts and increasing societal focus, efforts have been directed towards understanding the consequences of navigating across the PT continuum. These academic findings have primarily been focused on relationships in relation to current employees. The degree to which information about pay is available within the organization, has been shown to influence employee perceptions, attitudes, and behaviors in relation to the firm, as well as organizational performance (Brown, 2022). Employees also having expectations regarding the degree to which level of transparency that can be expected, has been demonstrated to showcase higher turnover intentions when expectations have been unmatched (Göbel et al., 2020). Furthermore, the access to compensation data, is by prospective and current employees to evaluate the competitiveness and equity relative to that of other individuals (Gerhart and Rynes, 2003)

This function of pay information, makes this into a strategic lever for companies in the quest of strengthening the employer brand, as emphasized by Lievens and Slaughter (2016).

1.1.5 Societal Impacts, Corporate Strategy Implications, and Academic Relevance

As we continue to explore the implications of PT, it's essential to highlight its importance across society, corporations, and academia. Firstly, from a societal perspective, PT is not only a legislative action without a purpose, it is a development addressing long-standing issues of pay inequality. It resonates with the global commitment to gender equality, aligning with Sustainable Development Goals (SDGs) to foster a more just and fair employment landscape. Understanding the implications of these legislative shifts is crucial for facilitating a smooth transition towards a more transparent and equitable pay landscape, aligning businesses on the mission through strategic incentives.

Followingly, for companies, PT could offer a new opportunity to enhance their employer brand image. The extent to which organizations embrace these changes, meeting minimum requirements, or possibly exceeding them, has significant potential to influence how they are perceived by current and prospective employees.

Lastly, despite extensive research on employer attractiveness and employer branding, a significant gap persists in understanding the specific impact of salary transparency on potential applicants' perceptions of the company and intentions to apply for jobs. While other studies have examined the broader effects of compensation practices on employer perception, the detailed implications of explicit PT, especially as outlined by the European Union's PT directive, remains unexplored. This represents a critical area for exploration, given the increasing emphasis on transparency in compensation practices globally.

Together, these perspectives highlight the importance of this study. It is an investigation of a major development affecting several areas of society, promising insights into corporate strategy and academic research, to help ensure the achievement of the directives objectives.

1.2 Purpose

This thesis investigates the impact of increasing compensation data transparency on job application intentions among prospective employees, aligned with how coming legislation will mandate companies to publish salary bands on their job ads. By employing an

experimental study design, this research aims to explore how enhanced access to compensation information influences job seekers' perceptions of organizational image and trustworthiness, and subsequently, their willingness to apply for employment.

Through this approach, the study seeks to contribute to the existing body of literature by integrating theories of employer branding with additional research fields, whilst testing the applicability of previously found relationships in relation to current legislative developments. The findings are expected to offer strategic insights for companies looking to leverage transparency as a tool to enhance their attractiveness as employers, finding room to enhance their employer brand through the new directive, highlighting that transparency can be embraced without harm.

1.3 Research Question

This study investigates how PT affects people's behavioral intentions during the job application process. Specifically, it looks at which factors might change or influence application intentions and under what conditions. The research aims to understand the role of certain mediating factors, perceived organizational image and trustworthiness, and the possibility of socioeconomic factors and familiarity of the directive being a moderating factor in shaping applicants' responses to PT.

- **How does pay transparency in job advertisements influence job seekers' application intentions, mediated by their perceptions of the employer's image and trustworthiness?**

1.4 Disposition

In the sections that follow, we will conduct a review of academic literature, discussing the key studies and theoretical concepts being of importance in our research. Building upon this literature review, a theoretical framework will be developed, serving as the foundation for our research hypotheses. The methodology section will detail the research design and techniques utilized in this study. Subsequently, the results will be presented, followed by an analysis and discussion. Finally, we will explore both the theoretical and practical implications of our findings, address the study's limitations, and propose directions for future research.

2. Theoretical Framework

2.1 Pay Transparency

Pay information plays a critical role in enabling employees to understand the competitiveness and equity of their compensation in comparison to their peers (Gerhart & Rynes, 2003). This also implies that the information provides insights into the organization's capacity to attract and retain talent (Gerhart & Rynes, 2003). Traditionally, such information has been predominantly controlled by companies, giving them an informational advantage (Arnold & Fulmer, 2018). This information asymmetry is now challenged by the coming EU Pay Transparency directive, marking a shift towards equal access to information.

The mitigation of information asymmetries through signaling in the recruitment context, as explored by Turban and Greening (1997), suggests that pay information serves additional purposes. For instance, this source of information could send signals regarding aspects of an organization that may be less apparent to potential job seekers. This function of pay information disclosure can be strategically employed by companies as a tool for employer branding (Lievens & Slaughter, 2016). It has also been shown that employees, when encountering lower expectations on pay information disclosure than expected, showcase higher turnover intentions (Göbel et al., 2020). This represents how changing evaluations of organizations occur when PT expectations are altered.

In the work by Brown et al. (2022), suggesting that the disclosure of pay information can have significant influences on employee attitudes and organizational performance, it is proposed that such transparency may extend to shaping the perceptions of prospective employees. As these individuals encounter pay information, their attitudes or associations with the employer brand of the company could be markedly affected. This perspective aligns with the impact of transparency observed in the context of information presented on corporate websites. The extent of job-related and organizational information available online contributes to creating a comprehensive image of the company and influences employment intentions (Allen et al., 2007). Comprehensive and clear information not only helps define the organization's image but also suggests that transparency in other areas could likewise increase positive perceptions and intentions.

2.2 Employer Branding

2.2.1 Definitions and Prior Research

The employer brand was initially defined as the set of benefits an organization offers their employees, contributing to a positive image of the firm (Ambler & Barrow, 1996). Other definitions have related the term to a construct of multiple dimensions, covering current and potential employees, and additional stakeholders (Sullivan, 2004). Definitions have also been narrower, specifically referring the term to the portrayed image relative to prospective employees, with the aim of being viewed as a great place to work (Shaker and Ahmed, 2014).

In relation to consumer brand associations and the general understanding of how humans structure knowledge, as discussed by Halkias et al (2015), the concept of an employer brand can be understood as the sum of associations and perceptions that both current and prospective employees hold regarding the organization (Gatewood et al., 1993). This mirrors the definition of brand equity, defined by Aaker (1992) as a set of brand assets and liabilities linked to a brand that add or subtract from the value provided by a product or service to a firm /or to that firm's customers'. Akin to how consumer brand equity research indicates a correlation between positive associations and enhanced behavioral intentions (Aaker, 1996). This relationship is mirrored from an employee perspective, where elevated employer branding correlates with increased application intentions (Theurer et al., 2018).

The associations related to the company in association to its quality as an employer, can be held both by current and prospective employees. When taking on the external perspective, the concepts of employer attractiveness and employer image have been applied. This term specifically refers to the perceptions and associations prospective employees have about an organization, aligned with previously established narrower definitions of employer branding (Berthon et al., 2005).

To address the research objective, exploring the behavior of job-seekers, it is essential to further explore and discuss the concept of employer image. Defined by Highhouse et al. (2009) as "referring to one's individual impression of the organization". In line with Lievens et al. (2016) the employer image is built on attributes that individuals associates with an organization, similar to how consumer brand equity has been defined, with the scope

narrowed down on prospective employees or applicants. In literature, the term employer image has been further segmented into several attributes, all driving the degree to which the prospective employee or applicant have a positive or negative image of the firm.

This division of attributes finds its origin in the 1993 work on brand equity by Keller, which introduced a variety of attribute categories, namely instrumental, symbolic, and experiential, focusing on products and services. He described brand image as the collective perceptions encompassing both product-related and non-product-related attributes, alongside functional, experiential, and symbolic benefits, all mirrored in the brand associations preserved in consumer memory. In the field of employer branding, it's primarily the instrumental and symbolic attributes that have been applied (Lievens et al, 2016). The concept of employer image was brought into the recruitment context by Highhouse et al. in 2003, marking the first time it was evaluated through the lens of the instrumental-symbolic framework.

In the instrumental-symbolic framework implemented by Highhouse et al (2003) instrumental attributes are defined as the tangible benefits an organization offers, such as competitive salaries, workplace location, and opportunities for advancement. These are the utilitarian attributes that describe what an organization has or does in concrete. In contrast, symbolic attributes are the intangible qualities and values that individuals perceive, which allow them to express their identity or associate with the organization's prestige (Highhouse et al, 2003; Aaker, 1997). These attributes promote self-expression and personal identity through the organization's image, rather than through utilitarian benefits. Overall, this framework includes the full spectrum of an organization's attributes, from the practical and functional to the personal and subjective, all of which play a crucial role in influencing individuals' perceptions and desire to enter a relationship with the organization. Subsequently, it also represents an appropriate level of analysis in the purpose of understanding the actions and perceptions of job seekers.

2.2.2 The Strategic Importance of Employer Branding for Talent Attraction and Retention

The perceptions that prospective employees hold towards a firm, namely the employer brand, are crucial for the company's success in attracting and retaining talent. Consequently, focusing on this concept and developing strategies to enhance it has become a priority for organizations, mirroring the conclusions drawn in academia. Aside from being linked to

positive outcomes such as increased employee retention, employee satisfaction, and customer retention, it is considered a de facto tool to use for attracting talent, as suggested by Branham (2001). Furthermore, the concept of brand equity is well-known for providing companies with considerable advantages in the competitive marketplace. This principle is equally applicable to employer brands, where a strong employer brand is observed to influence job-pursuit intentions positively (Theurer et al, 2018 ; Lievens et al, 2016). Additionally, employees are more inclined to accept lower compensation in favor of working for a brand they perceive as strong (Lievens et al, 2016), and firms with strong employer brands have been shown to be able to sustain lower wages than the industry average (Ritson, 2002).

Just as brand equity can drive consumer behavior, a strong employer brand is pivotal in attracting and retaining talent. This understanding aligns with the emphasis on the critical role of employer branding in securing a competitive edge in talent acquisition, as highlighted by the significance of shaping and enhancing employer brand perceptions for organizational success. Considering the dual perspectives of the employer brand, the same strategic arguments can be applied within the concept of employer image. The strategic development of a positive employer image, underscored by both instrumental and symbolic attributes, is pivotal in enhancing the overall employer brand (Highhouse et al., 2003). This image not only shapes the immediate perceptions of prospective and current employees but also plays a crucial role in strategic talent acquisition and retention. The deliberate management of employer image, therefore, becomes a foundational strategy in building a strong employer brand, directly influencing organizational competitiveness in the battle for top talent. Consequently, the utilization of the concept of employer image, investigating the effects on the perception given variations in PT, serves a valuable purpose when investigating the application intentions of job seekers.

2.2.3 The Role of Employer Image and Attractiveness

Employer image, characterized by both the tangible benefits and intangible values associated with an organization, directly impacts how attractive an employer is perceived to be by potential candidates (Highhouse et al, 2003). This perception, in turn, influences their willingness to apply, underscoring the importance of a strategically managed employer image in the recruitment process. Studies, such as the one by Lievens and Highhouse (2003), highlight the relationship between a positive employer image and heightened application

intentions, framing employer image not just as a component of employer branding, but as a critical driver of success in recruitment.

Considering attributes that attract final-year management students towards organizations, the study by Chhabra & Sharma (2014) identifies organizational culture and brand name as the most important factors, with compensation coming in third place and being viewed as a hygiene factor. This insight highlights the evolving considerations of prospective employees, where intrinsic qualities of the workplace, such as its culture and the value of its brand, are prioritized over traditional extrinsic rewards like salary. Previous research, notably by Gatewood et al (1993), has established a significant relationship between an organization's image and potential job candidates' intentions to engage further with the firm. In this regard, an organization's image is constructed from the totality of interactions individuals have with the firm, encompassing all information exposure and the consequent associations formed (Gatewood et al, 1993). This suggests that the availability of additional information, which was not previously accessible to individuals in the job search setting, can influence their perceptions of the firm, thereby contributing to their intentions to pursue further contact (Gatewood et al, 1993; Turban and Greening, 1997).

Connecting the availability of information to the concept of social identity theory emphasizes the importance of investigating the question of PT. Turban and Greening (1997) highlighted the significant linkage between an organization's corporate social performance and its utility as a competitive advantage in recruiting. This is related to the idea that an individual's self-concept is influenced by membership in an organization, making them more likely to be a part of something with positive associations in Corporate Social Responsibility (CSR). Furthermore, the social performance of the firm, in line with signaling theory, is hypothesized to affect evaluations of more "traditional" aspects such as culture, also affecting prospective employees' holistic evaluations (Turban and Greening, 1997). This suggests it is reasonable to hypothesize that additional information communicated by the firm, not available before, related to the area of corporate social responsibility, will have an effect on the image and thereby employer attractiveness.

An assumption that can be interpreted as implicit in the work of Gatewood et al (1993) and Turban and Greening (1997), and established by other authors (Verma et al, 2024), is the concept that attractiveness translates into higher application intentions. Specifically, this

refers to the intention of individuals to apply for certain positions at particular firms. This notion underscores the direct link between how attractive potential employees find a company and their proactive steps towards employment with that company, related to the concepts of employer branding and attractiveness, highlighting the critical role of organizational image in recruitment strategies. As we explore factors influencing candidates' application intentions, the role of employer image emerges as a foundational element. The symbolic and instrumental attributes that constitute employer image directly affect candidates' perceptions and, subsequently, their decision-making process regarding job applications (Highhouse et al, 2003). Recognizing the complexity of employer image and its impact allows for a more nuanced understanding of application intentions, providing a clear rationale for the methodological focus on measuring these perceptions within our study.

→ **(H1):** Respondents exposed to PT will perceive a higher employer image compared to those exposed to NPT

2.3 Trustworthiness in the Recruitment Context

In the trust framework developed by Mayer et al. (1995), trust is defined as one's willingness to accept being vulnerable to another's actions. Perceptions of trustworthiness defines the degree to which one is willing to trust (Mayer et al, 1995; Colquitt et al, 2007). The concept of trustworthiness, being a condition to trust, represents a similar concept as perceptions of employer attractiveness, being a prerequisite for application intentions (Lievens & Highhouse, 2003). When forming an opinion regarding trustworthiness, individuals use their perceptions on the counterparties ability, integrity, and benevolence, to determine the degree of trustworthiness (Mayer et al, 1995). In this context, ability reflects the trustor's belief in the trustee's capability to meet commitments. Integrity involves the trustor's confidence that both share common moral and ethical standards. Benevolence is the trustor's perception that the trustee prioritizes the trustor's welfare genuinely (Mayer et al, 1995).

Importantly, the scale developed by Mayer et al. (1995) reflects the willingness to engage in risk relative to the counterparty (Mayer et al., 1999). This suggests that the scale is appropriate in the pre-hire context, where only willingness to engage in risk has been exhibited. This is also observed throughout academic research, where the scale by Mayer et al. (1995) has been applied as a measurement of trust in the pre-hire context (Kedharnath et al., 2020). Performance in relation to the scale has been attributed to the concept of signaling

theory, suggesting that individuals with limited information about an impending decision rely on different cues and signals to guide their decision-making process (Spence, 1973). This reflects the situation job seekers encounter when evaluating different positions on the job market (Kedharnath et al., 2020). Organizations can significantly influence applicant trust, which in turn correlates with their willingness to accept job offers, highlighting the importance of early trust building in the pre-hire context. In the area of trust, access to information is crucial. Previous research indicates that website content and design significantly influence consumer trust and job seekers' intentions (Braddy et al., 2009; Cober et al., 2003; Ou & Sia, 2010). Therefore, it is hypothesized that providing additional information, such as PT, could positively affect perceptions and ultimately trust in the organization.

This hypothesis, informed by the examination of trust from a pre-hire standpoint, gains further support from literature on PT, employer attraction, and consumer behavior. Compensation and benefits are not only crucial for job-seekers but also influence employees' perceptions of fairness and equity, as discussed by Verma et al. (2024). Furthermore, justice and fairness has been shown to be positively related to the concept of trust (Dirks & Ferrin, 2002), suggesting a possible linkage between the conclusion drawn from compensation information and the trust in an organization. Further studies, focused solely on the concept of PT, have shown that employees who perceive a higher application of PT within the organization also exhibit higher trust in management and perceptions of fairness (Scott et al., 2020).

Adopting a consumer and public relations perspective, offers further insight into how transparency can affect trust. When conveying a Corporate Social Responsibility (CSR) message to consumers, adopting a transparent approach is crucial for building trust, with transparency serving as a moderating factor that significantly influences the level of trust among recipients (Kim et al., 2018). From a public relations viewpoint, Auger (2014) demonstrates that organizational transparency significantly enhances trust and positive behavioral intentions among stakeholders. This supports the notion that in recruitment, increased transparency could positively influence candidates' intentions to apply, suggesting that clear and open communication about organizational practices, values, and expectations may bolster applicants' willingness to pursue positions.

Consequently, we put forward the following hypotheses, grounded in the significance of employers' trustworthiness concerning compensation and its substantial relevance to trust in the context of informational asymmetry before hiring.

→ **(H2):** Respondents exposed to PT will perceive higher trustworthiness compared to those exposed to NPT

2.1.5 Factors Influencing Application intentions

To conduct a thorough and insightful review, it is necessary to continue to narrow down the factors influencing candidates' application decisions. Numerous efforts have been made to develop models and frameworks that clarify the factors and determinants affecting applicants' intentions to apply for certain positions in the job market.

Amongst other factors, compensation and benefits, and organizational culture, were shown to significantly influence candidates' application decisions (Verma et al, 2024). Considering organizational culture as a driver of application intentions, and the exploration of organizational image as a mediating factor, Verma et al. (2024) provide compelling evidence that it significantly impacts the manner in which organizational culture affects potential employees' application intentions. Organizational image in the work of Verma et al. functioned as a great motivator for applications, mediating the relationship between organizational culture and application intentions. This finding aligns with and reinforces the theoretical framework proposed by Turban and Greening (1997), who argue that the signaling of corporate social responsibility perceptions crucially influences organizational image, later being attributed to additional factors as culture, which has been identified as a driver of application intentions Verma et al. (2024).

Consequently, this study proposes the following hypotheses:

→ **(H3):** Respondents exposed to PT will have higher application intentions compared to those exposed to NPT

→ **(H4):** PT will mediate the relationship between trustworthiness, employer image and application intentions

2.4 Socioeconomic Status

Based on the methodology applied by Griskevicius et al. (2011), individual perceptions of socioeconomic status can encompass both retrospective evaluations and anticipations regarding future circumstances. This dual perspective facilitates a comprehensive assessment of how individuals perceive resource scarcity, both in historical contexts and in expectations for the future. Griskevicius et al. (2011) have thus measured socioeconomic perceptions through both lenses, focusing on the extent to which individuals have felt resource-deprived in the past and their anticipations of future resource scarcity.

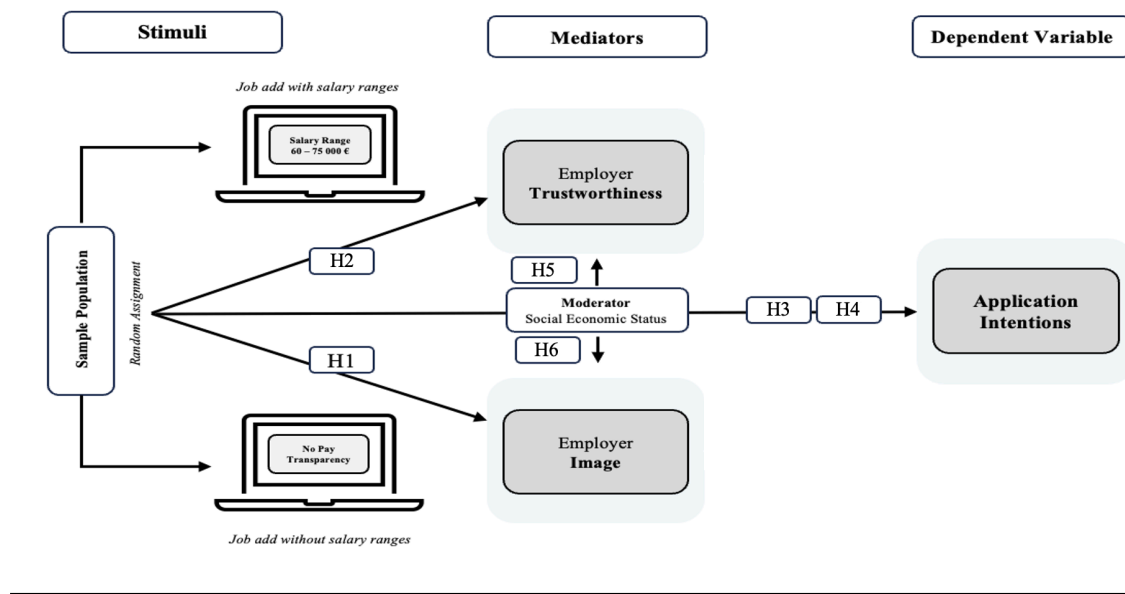
Considering the pivotal role of compensation in an individual's willingness to commit to certain employers, and its recurring significance throughout one's career, it is hypothesized that feelings of resource deprivation may amplify the effects of PT in relation to application intentions.

- **(H5):** Respondents socioeconomic status will moderate the relationship between employer image and application intentions.
- **(H6):** Respondents socioeconomic status will moderate the relationship between trustworthiness and application intentions.

2.5 Visualization of the hypothesis

Throughout the literature review, six hypotheses have been formulated, covering a variety of variables and research fields, putting them in the context of PT and application intentions of job applications.

Figure 1: Visualization of the Hypothesis



3. Research Methodology - Method

3.1 Scientific Approach

The study utilizes a quantitative methodology via a questionnaire to investigate how undergraduate and master's business students perceive a hypothetical company based on its adherence to or deviation from PT practices. Specifically, it compares student responses to job advertisements from the same fictional organization, which vary only in their PT. The first version follows the EU directives guidelines (PT condition) and the other omits any information about pay transparency (NPT condition). This design allows for a direct comparison between PT and NPT in job advertisements. Providing insights into how the presence of PT influences students' perception of the company's image as an employer and trustworthiness, and their application intentions.

3.2 Main Study

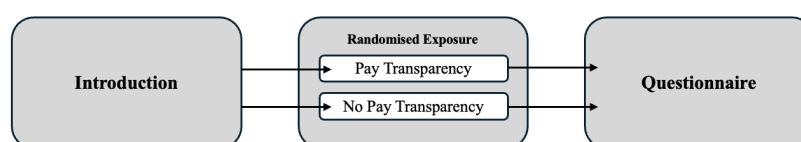
3.2.1 Participants

The survey targeted 200 final-year bachelor and master students studying at the Stockholm School of Economics in Stockholm, Sweden. The sample consisted of 35.6% females and the average and median age was 22 years old.

3.2.2 Procedure

This study utilized an electronic survey, randomly assigning participants to either the PT or NPT (control) condition to assess how PT affects potential job applicants' perceptions. Each participant was introduced to a job advertisement for a hypothetical company designed to mirror the types of job listings commonly encountered by students in the fields of business and economics. The hypothetical company is used to ensure that previous associations or experiences with a real company would not influence participants' perceptions of the employer's image, trustworthiness, or their intentions to apply. This allows for an unbiased assessment based purely on the presented stimuli rather than pre-existing opinions or experiences.

Figure 2: Visualization of the Experimental Procedure



3.2.3 Experimental Conditions

The PT condition featured a job advertisement that provided a detailed description of the company's PT practices, deliberately designed to exceed the requirements set by the EU Pay Transparency Directive. Under the "Compensation" section, the advertisement highlighted transparent pay practices including a specified salary range, details on regular salary reviews, and explicit criteria for determining salaries and bonuses. This information was presented without explicitly stating that the company's policies exceed the EU directive's guidelines, indirectly communicating the company's commitment to PT and allowing participants to deduce the extent of its PT practices on their own. In contrast, the "Control (NPT)" condition involved an identical job advertisement in structure and content, with the exception that it omitted any mention of PT practices in the "Compensation" section. The compensation information was instead simply noted as "Competitive, discussed in interview," providing no further details about PT practices. After exposure to their respective job advertisement, participants were asked to complete a questionnaire designed to assess their perceptions of the organizations trustworthiness and employer image, and their applications intentions.

3.2.3 Measures

This study employs a quantitative survey methodology, with measurement items selected and adapted from established scales in the literature for validity. Given our focus on the perceptions of employers from the perspective of prospective employees in a job-seeking scenario, tailoring measures originally designed for various contexts was essential. The adaptation process was deliberately aimed at accurately capturing respondents' perceptions of organizational image, trust, justice, fairness, and their intentions to apply (see Appendix A for all survey questions).

Employer Image

Employer image was measured using a 11-point scale of instrumental and symbolic attribute items adapted from Lievens and Highhouse (2003), where Instrumental attributes are the “tangible job and organizational benefits” and symbolic attributes are “intangible, emotional associations with the employer”. Lievens and Highhouse suggest that the scale is adaptable to various contexts, specifically for understanding what makes a company attractive to potential employees, indicating their flexibility for adaptation to the context of this study. To reflect the contemporary work values expected from respondents in our sample, the study incorporates modern questionnaire items such as work-life balance and diversity & inclusion (Verma et al., 2024). Additionally, since our study focuses on participants' perceptions, the questionnaire employs personal belief statements prefaced with “I believe...”, yielding responses that provide subjective evaluations based on the provided company information, aligning with the focus of understanding perceptions in the job-seeking context.

Trustworthiness

Trustworthiness was measured through an adapted version of the trustworthiness scale developed by Mayer and Davis (1999). While the original scale was utilized to investigate employee trust towards top management within organizations, it has been tailored for our study to understand prospective employees' perceptions of an employer's trustworthiness, based solely on the context of job advertisements. This setup allowed us to assess trustworthiness from the unique perspective of job seekers, who have not yet entered the organization but are forming perceptions based on the availability of PT practice information. Respondents were presented with 15 items measuring the three constituent dimensions of

trustworthiness: ability, benevolence, and integrity, as outlined by Mayer (1995). Responses were captured on a 5 point likert scale where 1 = strongly disagree and 5 = strongly agree.

Application Intentions

To assess application intentions of participants, one item adapted from (Taylor & Bergmann 1987) and two-items from Robertson et al. (2005) which were adapted from Taylor and Bermann (1987) was selected, to ask respondent their level of agreement from a 5-point likert scale where 1 = strongly disagree and 5 = Strongly Agree. In addition, the five-point scale developed by Highhouse et al. (2003) was employed to assess organizational application intentions from the perspective of prospective employees, evaluating the company's attractiveness as a desirable workplace and their explicit, future-oriented intentions to engage with the company. Two and one items respectively from the 'general attractiveness' and 'intention to pursue' factors were used to measure job-seeking applicants' intentions to apply for a job at the organization, employing a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The 'Prestige factor' from Highhouse et al. (2003) was excluded in the survey, given the focus and context of our study, which is primarily concerned with participants' responses to information in job advertisements. In the original study's methodology, participants were provided with descriptions of companies based on recruitment materials from a career resource center. Given the limited time available to respondents, our study intentionally narrows the scope of information provided about companies.

Demographics and Socioeconomic Status

Respondents filled in demographic information regarding gender, age, employment status and job-seeking intention. Socioeconomic status was measured in line with the 6 point measure from Griskevicius et al. (2011).

3.3.4 Data Analysis

Survey responses were collected in Qualtrics. This data was exported to SPSS for analysis. The exported data included an Indicator variable separating respondents having experienced different conditions, which was recoded in SPSS to 1 and 0 indicati PT (stimuli) and NPT (control) group respectively. In SPSS, the dataset was cleaned and then descriptive statistics, factor analysis, reliability analysis, independent t-tests, regressions, and mediation analysis using PROCESS were performed. The data was assumed to be normally distributed since

both experimental groups employed had more than 30 samples (Kwak & Kim, 2017). This study deemed a significance level of 0.05 as significant.

3.4 Quality of the Research

To ensure content validity of our survey, we used scales adapted from established literature to correctly measure and test the constructs for mediators trustworthiness and employer image, moderator SES, and dependent variable Application Intentions. We employed multiple similar questions to capture the same measured constructs for reliability and conducted reliability analysis evaluating Cronbach's alpha to ensure consistency of measures (see Appendix B for reliability analysis). Furthermore, to validate responses we instructed respondents to identify the survey's focus from misleading options and tracked response speed to ensure engagement, quality, and relevance of their response. It's important to note that our survey respondents primarily were students from the Stockholm School of Economics, which may limit the generalizability of our findings to other contexts.

4. Analysis & Results

4.1 Data Cleaning

Initially, there were 200 responses. However, after excluding those that were incomplete, failed the “attention check question”, or were completed in less than 200 seconds, indicating insufficient consideration, a total of 146 responses remained for analysis. The final sample contained 62.7% males, 35.6% females, 2.6% who identified as other or did not want to disclose. Mean and median age of respondents was 22, with a range of 9, 28 being oldest and youngest being 19 years old. Furthermore, participants were divided into two groups based on the type of job advertisement they received. In the data preparation phase, missing values were recoded to create a binary variable (COND) representing the two groups: No Pay Transparency (NPT) control group, coded as 0, and the Pay Transparency (PT) stimulus group, coded as 1. This variable facilitated the comparison between the groups' responses to the job advertisements.

4.2 Descriptive Statistics

The study employed descriptive statistics and an independent sample t-tests to compare the control group (n = 75) with the stimulus group (n = 71). Results indicate that there was no

significant difference between the groups on the basis of age, gender, knowledge of the EU Pay Transparency Directive, employment status, job-seeking frequency, and socioeconomic status. The PT group showed a higher correlation between trustworthiness (RPT = 0.515, Sig. <0.001, RNPT = 0.297, Sig.=0.012) and employer image (RPT = 0.579, Sig. <0.001, RNPT = 0.264, Sig.=0.026) and application intentions, compared to the NPT condition. Correlation matrix, mean and standard deviation scores were created for each individual components of trustworthiness (Ability, Benevolence, and integrity) and employer image (Instrumental and Symbolic) to illustrate descriptive statistics seen in table 1 and 2.

Table 1. Correlation Matrix - Content Type & Antecedents

PT (n = 75)						NPT (n=71)					
	(1)	(2)	(3)	(4)	(5)		(1)	(2)	(3)	(4)	(5)
(1) Ability	1					(1) Ability	1				
(2) Benevolence	0.432***	1				(2) Benevolence	0.429***	1			
(3) Integrity	0.633***	0.727***	1			(3) Integrity	0.597***	0.586***	1		
(4) Instrumental	0.376***	0.368***	0.479***	1		(4) Instrumental	0.478***	0.381***	0.563***	1	
(5) Symbolic	0.483***	0.511***	0.702***	0.671***	1	(5) Symbolic	0.490***	0.432***	0.671***	0.583***	1
Note: Significance at: *p<0.10, **p<0.05 and ***<0.001.											

*Note: Significance at: *p<0.10, **p<0.05 and ***<0.001.*

Table 2. Descriptive Statistics

PT (n = 75)			NPT (n = 71)		
	Mean	Stdev		Mean	Stdev
(1) Ability	3.79	0.73	(1) Ability	3.77	0.70
(2) Benevolence	3.76	0.88	(2) Benevolence	3.04	0.62
(3) Integrity	3.67	0.89	(3) Integrity	3.52	0.61
(4) Instrumental	3.67	0.64	(4) Instrumental	3.23	0.56
(5) Symbolic	3.56	0.74	(5) Symbolic	3.25	0.60

4.3 Factor Analysis

The study's measure for mediators trustworthiness and employer image is adapted from established scales in the literature, but to ensure validity of the used scales in our study's context and investigate if the items used to represent constructs are separate unique constructs that can be grouped under a single factor, we employ factor analysis in SPSS. We considered a loading value of 0.4 or more as significant and used Varimax to draw conclusions from a rotated component matrix as constructs are adapted from established scales in literature. Before conducting factor analysis, several diagnostic tests were performed to ensure the

suitability of our data for this statistical method. The Kaiser-Meyer-Olkin measure exceeded 0.7, indicating sufficient shared variance among the variables for factor analysis.

Additionally, Bartlett's Test of Sphericity was significant ($p < 0.001$), allowing us to reject the null hypothesis and confirm that correlations exist between the variables. Lastly, the Measure of Sampling Adequacy (MSA) for all variables was above 0.5.

When inputting all independent items from both the employer image and trustworthiness constructs, the factor analysis yielded 5 components. Notably, the factor analysis yielded the same number of components (5) as the number of sub-factors in the trustworthiness (ability, benevolence, integrity) and employer image constructs combined from the literature.

The grouping of items, based on analyzing the loadings in the rotated component matrix, was at large in line with the grouping of the independent sub-factors of the constructs as established in the literature. However, there were some cross-loadings on 7 items (See in Appendix D).

After looking at all items simultaneously, we then ran factor analysis, for the trustworthiness (15 items) and employer image (11 items) constructs independently. Results yielded that for the employer image construct, where there are supposed to be two factors (Instrumental and Symbolic), we found three dimensions. Similarly, for the trustworthiness construct, there are supposed to be three factors (ability, benevolence, integrity), but the factor analysis indicated only two dimensions. Since the items in the constructs trustworthiness and employer image are derived from established scale in literature, we did a factor rotation, forcing a three and two factor solution respectively. Resulting in the constructs loading as we expected, in line with literature. With the exception of only one item marginally cross-loading for trustworthiness post factor rotation. The item “based on what I perceive, this company seems to be trustworthy and honest” cross-loaded slightly on the “ability” sub-factor (0.412), rather than the expected “benevolence” sub-factor (0.665). Possibly explained by the item's broad phrasing which may capture the trust a respondent would have in a company's ability. For employer image there were three items cross-loading, “I believe The company is recognised as sincere and trustworthy”, “I believe Employees Enjoy a high level of job security at this company”, and “I Believe the company is pioneering and innovative” cross-loading 0.508, 0.470, 0.539 respectively. We believe that cross-loading between the sub-factors of employer image (symbolic and instrumental) may occur because the sub-factor items, sincerity, job

security, and innovativeness arguably influence perceptions of both practical benefits (instrumental) and abstract values (symbolic) associated with the employer.

Having investigated constructs somewhat similar by nature. For instance, reflected through the presence of trust in the evaluation of the symbolic attributes in employer image. It is hypothesized that the observed cross-loading can largely be attributed to the slight similarities in the phrasing of questions used to measure employer image and trustworthiness. Overall, while there is some cross-loading, the factor analysis largely shows that the constructs and their respective sub-factors are unique, independent components, thereby supporting the validity of our experimental approach and model.

Reliability Analysis

Before conducting hypothesis testing we tested the internal consistency of the items used to measure trustworthiness, employer image and application intention, to make sure we could index the individual items. Ensuring that the measurement items adapted from literature, used in the context of our experiments, accurately reflected the underlying constructs. The Cronbach's Alpha values, for the scale of trustworthiness (0.933), employer image (0.851), socioeconomic status (0.758) and application intentions (0.870) all exceeded the threshold of 0.7, indicating a high level of internal consistency.

4.4 Hypothesis Testing

4.4.1 Employer Image and Trustworthiness (PT vs NPT)

(H1): Respondents exposed to PT will perceive a higher employer image compared to those exposed to NPT

(H2): Respondents exposed to PT will perceive higher trustworthiness compared to those exposed to NPT

(H3): Respondents exposed to PT will have higher application intentions compared to those exposed to NPT

To assess if PT increases perceptions of employer image (EI), trustworthiness (TW), and application intentions (AI), independent sample t-tests were conducted. The findings revealed that respondents exposed to an advertisement with PT (stimulus condition) had significantly higher employer image scores than those with NPT [MPT=3.6109, MNPT=3.2509, $p < 0.001$], supporting H1. Trustworthiness scores were also significantly higher for those exposed to PT than those with NPT (control condition) [MPT=3.7449, MNPT=3.4356,

$p=0.002$], supporting H2. Lastly, application intentions (DV) was also higher for those exposed to PT compared with NPT [MPT=3.9556, MNPT=3.1756, $p<0.001$], supporting H3. Overall, the results indicate that PT in job advertisements increases perceptions of employer image, trustworthiness, and application intentions.

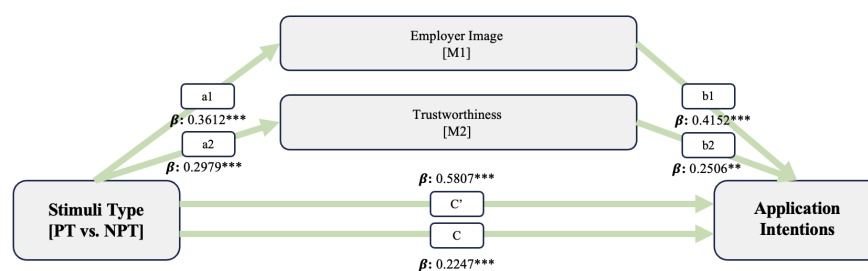
4.4.2 Mediation Effect

(H4): PT will mediate the relationship between trustworthiness, employer image and application intentions

4.4.3 Mediation Analysis

Regression analysis was performed to show the individual relationships between the independent variable and each dependent variable, seen in Appendix C. However, to understand how all variables interact, we performed a mediation analysis. This analysis aimed to explore how the established relationships between the IV and DV are mediated or influenced by selected variables. To investigate the mediating effects, Hayes' (2018) PROCESS Model 4 in SPSS was employed, running 5000 bootstrapped samples with a 95% confidence interval.

Figure 3. Mediation Model



Note: Significance at * $p<0.10$, ** $p<0.05$, and *** $p<0.001$

Trustworthiness and Employer Image

The regression models analyzing the effect of the independent variable (PT vs NPT) on the mediators were statistically significant. Specifically, this analysis assesses the impact of transitioning from the NPT condition (COND = 0) to the PT condition (COND = 1). Results

show that the shift from NPT to PT explained 4.97% of the variance in trustworthiness ($R^2 = 0.0497$) and 8.77% of the variance in employer image ($R^2 = 0.0877$). The model effects showed that PT significantly influenced trustworthiness [$F(1, 144) = 7.534, p = 0.0068$] and employer image [$F(1, 144) = 13.847, p < 0.001$]. Overall, these results indicate that PT significantly increases perceived trustworthiness and employer image among students, supporting H1 and H2.

Pay Transparency and Application Intentions

The model for application intentions, including PT, trustworthiness, and employer image, showed strong significance ($F(3, 142) = 31.665, p < 0.001$). PT had a notable direct effect on application intentions ($\beta = 0.581, SE = 0.117, t = 4.949, p < 0.001$), supporting H2. The total indirect effect of PT through trustworthiness and employer image was significant (Total Effect = 0.225, BootSE = 0.072, BootLLCI = 0.098, BootULCI = 0.382), with trustworthiness contributing an indirect effect of 0.075 and employer image contributing 0.150. These results indicate that trustworthiness and employer image significantly mediate the relationship between PT and application intentions, supporting H4. When comparing the groups, the relationship between the mediators (trustworthiness and employer image) and application intentions was stronger in the PT group (Adjusted $R^2 = 0.351$) compared to the NPT group (Adjusted $R^2 = 0.086$). Overall, these findings suggest that PT enhances application intentions both directly and indirectly through increased trustworthiness and employer image.

Table 5: Mediation Model: Application Intentions

Effect	Estimate	SE	p	95% CI	
				Lower	Upper
<i>Path a1</i>	0.3612***	0.0971	0.003	0.1694	0.5531
<i>Path b1</i>	0.4152***	0.1252	0.0012	0.1678	0.6627
<i>Path a1 x b1</i>	0.1500	0.0652	-	0.0331	0.2869
<i>Path a2</i>	0.2979***	0.1085	0.0068	0.0834	0.5125
<i>Path b2</i>	0.2506**	0.1119	0.0267	0.3487	0.4719
<i>Path a2 x b2</i>	0.0747	0.0569	-	0.0059	0.2235
Tot. Indirect Effects	0.2247	0.0728	-	0.0968	0.3818
Direct Effect [c']	0.5807	0.1173	0.000***	0.3487	0.8126
Total Effect (c)	β	R^2	F	P	df
	0.8054***	0.4008	31.6647	0.000	[1,142]

Note: Significance at * $p < 0.10$, ** $p < 0.05$, and *** $p < 0.001$

4.4.4 Moderators

(H5): Respondents' socioeconomic status will moderate the relationship between employer image and application intentions.

(H6): Respondents' socioeconomic status will moderate the relationship between trustworthiness and application intentions.

Socioeconomic Status

Following the initial mediation analysis, the impact of socioeconomic status (SES) as a moderator was examined using PROCESS Model 7 to assess whether moderators changed the strength of the indirect effects of PT on application intentions through trustworthiness and employer image.

The results revealed that the inclusion of SES as a moderator did not significantly alter the mediation pathways. Specifically, the interaction between PT and SES on trustworthiness ($p=0.6892$) and employer image ($p=0.7021$) were not statistically significant, indicating that SES does not modify how PT influences these mediators.

Furthermore, results from the conditional indirect effects at varying levels of SES (16th, 50th, and 84th percentiles) provided no proof of moderated effects. The values of moderated mediation for trustworthiness and employer image were -0.0108 and -0.0153, respectively, with confidence intervals including zero. These results support that the effects of PT on increasing application intentions via employer image and trustworthiness are consistent across various SES levels, rejecting H5 and H6. Despite the overall analysis revealing no significant changes in the mediation pathways by socioeconomic status (SES), there are variations specifically for trustworthiness. For low SES and High SES, the BootLLCI (Lower Level Confidence Interval) includes zero or a negative number (-0.0097 for low SES and -0.0018 for high SES), which implies that for these groups, the effect of PT on application intentions mediated by trustworthiness could sometimes be non-existent taking the value of zero. Conversely, for medium SES, the BootLLCI is clearly above zero (0.0054). This suggests that respondents with either low or high SES don't find an effect of salary transparency through trustworthiness on application intentions but for people with average SES there is, providing partial support for H6.

Gender

Interaction between PT and gender did not significantly alter the mediation effects through trustworthiness ($p=0.1471$) or employer image ($p=0.4691$). However, conditional indirect effects showed that gender influences the strength of these pathways. Specifically, for men (Gender = 1), PT had a more pronounced effect on application intentions through trustworthiness (Effect=0.1063, BootLLC=0.0127, BootULCI=0.2722) compared to women (Gender = 2), where the effect was smaller and included a potential for no effect with the confidence interval containing 0 (Effect=0.0236, BootLLC=-0.0760, BootULCI=0.2104). This suggests that PT is more effective at enhancing trustworthiness among men than women in terms of influencing application intentions. Conversely, the effect through employer image was stronger for women (Effect=0.1917, BootLLCI=0.0328, BootULCI=0.3868) compared to men (Effect=0.1302, BootLLCI=0.0155, BootULCI=0.2713), indicating that PT more effectively boosts application intentions through enhanced employer image among women.

4.4.5 Summary of Results

Independent sample t-tests showed that the PT group showed significantly higher levels of trustworthiness (MPT = 3.7449, MNPT = 3.4356, $p = 0.002$) and employer image (MPT = 3.6109, MNPT = 3.2509, $p < 0.001$) compared to the NPT group. Mediation analysis confirmed that trustworthiness and employer image significantly mediated the relationship between PT and application intentions. The total indirect effect of pay transparency through the mediators (employer image and trustworthiness) was significant, accounting for 22.47% of the total effect of pay transparency on application intentions. The direct effect of PT on application intentions was significant ($\beta = 0.5807$, $p < 0.001$) and when comparing the groups, the relationship between the mediators (trustworthiness and employer image) and application intentions was stronger in the PT group (Adjusted $R^2 = 0.351$) compared to the NPT group (Adjusted $R^2 = 0.086$). Finally, the moderation analysis revealed no significant impact of socioeconomic status on mediation pathways, but gender differences were observed, with PT enhancing trustworthiness more among men and employer image more among women.

5. Discussion & Implications

In the field of recruitment, characterized by intense competition among employers, a significant transformation is anticipated. There will be a shift in the information asymmetry between potential and current employees and their employers, in relation to compensation

information. In the EU, this shift is driven by the European Union's Pay Transparency Directive, an initiative aimed at addressing the gender pay gap. Current estimates suggest an unexplained discrepancy of 11.2% (Leythienne & Pérez-Julián, 2022) in compensation between genders across the EU, a gap that not only underscores inequality but also highlights the need for systemic change.

From a societal perspective, it is important that the coming regulations are embraced rather than gamified. Currently, the directive is characterized by a degree of uncertainty in regards to interpretation in national legislation, possibly paving the way for interpretations not yielding the sought after effects. Thus, demystifying the implications of increasing compensation information, breaking the traditional information barrier, provides a good force in the seek of a more equitable compensation environment, by providing reasons for implementation beyond legal obligations.

Our research has sought to investigate the potential influence of an increased degree of transparency, from the lens of application intentions. This study has demonstrated through the support of hypothesis H1-H4 and rejection of H5-H6 that increasing PT leads to an increased degree of positive perceptions of organizational image and trustworthiness, which in turn enhance application intentions. Literature shows a link between organizational image and application intentions, and between trust and job offer acceptance (Highhouse et al, 2003; Kedharnath et al, 2020). We expand this research by discovering that PT is one contributing factor that enhances these variables increasing application intentions.

5.1 Theoretical Implications

By adopting a mutli-diciplinary theoretical perspective, a previously unknown relationship has been investigated. To our knowledge, this study is the first to provide empirical evidence on the impact of PT on employer image and trustworthiness. Through the support of hypothesis H1-H4 a link has been established between PT and constructs of importance to the employer brand, enhancing our understanding of how these elements interact within the recruitment process. Furthermore, this work highlights the importance of functional attributes in evaluating symbolic ones and solidifies the role of signaling theory in recruitment, strengthening the previously suggested application of the concept in recruitment (Spence, 1973; Rynes & Miller, 1983; Turban & Greening, 1997). By finding support for H4 and H5, we present new findings on the role of trustworthiness as a critical factor in this context, also

establishing a connection between trust and previously unexplored behavioral intentions at this stage of recruitment, building on the previously identified signaling factor of CSR (Turban & Greening, 1997). Finally, we advance the discourse on pay information disclosure, expanding the knowledge about a topic that has traditionally been investigated with a focus on internal organizational contexts (Brown, 2022).

5.1.2 Pay Transparency as a Strategic Tool in Employer Branding

Numerous studies have underscored the necessity for well-defined and effectively executed employer branding strategies, emphasizing their strategic importance in attracting and retaining talent (Ambler & Barrow, 1996; Theurer et al., 2018; Lievens et al., 2016; Ritson, 2002; Berthon et al 2005). This research also reveals similar economic benefits associated with consumer brands, demonstrating that strong employer brands can lead to advantages such as lower salary costs (Lievens et al., 2016; Theurer et al., 2018; Ritson, 2002). In relation to the findings presented by the aforementioned authors, this thesis identifies how two previously known mediators, image and trustworthiness, can be influenced by an unexplored factor, highlighting a new relationship between PT and application intentions.

By highlighting that PT can be a strategic tool, when utilized to boost employer image and trustworthiness, this study sheds further light on the interplay between instrumental and symbolic attributes within the recruitment context. This enhances our understanding of the overall brand image, building on the distinctions made by Highhouse et al (2003). Through the study, it has been demonstrated that highlighting something falling into the instrumental domain, as defined by Highhouse et al (2003), referring to specific information regarding pay ranges, influences the perceptions of symbolic attributes. This finding, gaining theoretical support through the application of signaling theory, further strengthens this research field's relevance within employer branding research (Spence, 1973; Rynes & Miller, 1983; Turban & Greening, 1997). Considering that researchers, namely Chhabra & Sharma (2014), has identified symbolic attributes to becoming ever more important, referring to functional attributes as salary levels as hygiene factors, this consideration might require an reevaluation. This is argued since the findings through this study indicate that these two aspects to a certain degree correlate with each other, or are interdependent.

5.1.2 Exploring Trustworthiness Across the Recruitment Process

Trust, as defined in the trust framework by Mayer et al. (1995), is applicable within the recruitment context. Here individuals make themselves vulnerable to the actions of others. The perception of trustworthiness describes the extent to which one is willing to demonstrate trust, as clarified by Mayer et al. (1995) and Colquitt et al. (2007). This motivated our hypothesis that increased trustworthiness in this context will result in higher levels of trust, demonstrated through increased application intentions.

Similar research has focused on later stages of the recruitment funnel, where higher degrees of trust correlate with increased intentions to accept job offers, as explored by Kedharnath et al. (2020). However, our pre-hire research approach has further illuminated the importance of trustworthiness, revealing its crucial role in driving initial job applications and throughout the entire application process. This is something which according to the author's knowledge hasn't been under investigation previously, thereby building on the findings of Kedharnath et al. (2020). Furthermore, the study, investigating a novel phenomena being the stimuli causing trust, has further illuminated additional 'channels' in which trust can be conveyed.

5.1.3 Pay Information Disclosure

In an examination of the PT field, Brown (2022) provides a holistic overview by developing a model that categorizes the factors influencing PT across various levels: societal, organizational, and individual employee. Within this framework, aspects such as employer branding and competitive advantage are discussed. Interestingly, Brown hypothesizes that they may actually contribute to maintaining pay secrecy. Throughout this report, an additional perspective has been added to the field, showcasing that transparency can be positive for application intentions, mediated through increased trustworthiness and image perceptions, challenging the previous consensus.

This study adopts a unique approach within the Pay Information Disclosure field, focusing on external-organization relationships. By investigating relationships observed within the intra organizational studies, their findings have been extended into the pre-hire context as well. For instance, taking the perspective of Scott et al (2020), establishing a connection between increased transparency and trust in management, our research showcases a similar relationship within the pre-hire domain. Moreover, the research by Göbel et al. (2020) highlights that unanticipated reductions in PT may lead to increased employee turnover

intentions. This finding aligns with observations from the opposite angle, where enhanced transparency correlates with positive behavioral intentions among employees.

5.2 Managerial Implications

Based on the results from this study, several implications emerge for managers currently in an environment where transparency is low, with or without legislative change approaching. Furthermore, this study suggests that legislative advancements promoting PT should be viewed not as a challenge but as a strategic opportunity to enhance organizational image and trustworthiness, driving a more successful recruiting. This research has demonstrated that even a single change in the compensation information in a job ad can significantly increase application intentions, which plays a crucial role in the competitive landscape for talent. This is particularly relevant in knowledge-intensive sectors, where high-performing talent is proven to be up to 800% more productive (McKinsey, 2017). Leveraging the benefits of enhanced trustworthiness and a positive organizational image is thereby valuable, especially since these elements are foundational in attracting top talent at the very start of the recruitment process.

The importance of competitive compensation is particularly pronounced among recent graduates, emphasizing that transparent and attractive compensation packages carry minimal risk and maximum benefit in terms of appealing to this demographic.

Previous research has consistently shown the advantages of cultivating a strong employer brand, which can directly translate into financial benefits for firms, such as the ability to offer lower salaries while maintaining attractiveness as an employer. Embracing the shift towards greater PT could therefore not only improve perceptions of employer image but also amplify the intrinsic benefits associated with a strong employer brand, without undermining the firm's existing informational advantage.

For managers, it is crucial to focus on the specific factors that have been proven to increase application intentions. Trust, in particular, emerges as a critical factor where PT can make a significant impact. While providing access to compensation data is one clear path to enhancing trustworthiness, other dimensions of trust affected by increased transparency should also be explored. Managers should consider which aspects of trust are most influenced by transparency and how other strategies might also contribute to building trust. Considering

parts of the literature fundamental for our hypothesis, it is suggested that transparency in all forms of information can enhance trust, focusing broader than simply compensation.

In conclusion, managers should not only adopt PT practices as a response to legal requirements but should strategically use these practices to strengthen their employer branding efforts and competitive positioning in the talent market, drawing on increased trustworthiness and a better image as an employer. This strategic adoption of PT can serve as a powerful tool in attracting the talent the organization needs to succeed.

5.3 Limitations and Suggestions for Future Research

5.3.1 Limitations and their implications

A limitation of our study is its focus on the management consulting sector. This specific industry choice could potentially influence participants' impressions and attitudes, as perceptions of the management consulting profession might change their responses to questions about job application intentions and perceptions of PT.

Considering the data made available for participants regarding the hypothetical company, certain respondents called attention to the need for additional information, highlighting the limited amount found within the material. Comparing the stimuli used in this survey with the material used by Highhouse et al (2003), it is evident that similar studies previously conducted within a similar domain, utilized additional company information, collectively amounting to about 3-4 slides.

The research conducted by Ou & Sia (2010), Braddy et al. (2000), and Cober et al. (2003) suggests that providing additional information plays a crucial role in enhancing performance outcomes across various mediators, a finding that substantiates concerns regarding the amount of information presented in our study. While our results are robust within the context of our experimental design, which consistently offered a single stimulus in a controlled setting, it is important to acknowledge that broader literature indicates a positive correlation between the extent of information provided and favorable behavioral responses. This raises the possibility that, in scenarios where more comprehensive company information is typically available, the effects of increased transparency might differ from those observed in our study.

Another limitation of our study stems from the homogeneity of our respondent group, corresponding to university students primarily from the Stockholm School of Economics. This specific focus may limit the generalizability of our findings to a broader, more diverse population, implying a delimitation of our study. University students, particularly those in a single country, may share similar socioeconomic backgrounds, educational experiences, and career expectations, which could influence their perceptions of PT and employer attractiveness in ways that are not representative of the wider workforce. Additionally, cultural factors inherent to Sweden may further narrow the applicability of our conclusions.

Adopting the framework of functional and symbolic attributes from Highhouse et al. (2003), it becomes clear that our study could have benefited from exploring additional mediators that might have enriched the understanding of PT's effects, potentially enhancing the explanatory power of our model. However, due to the confines of our specific study design, incorporating a broader range of tests would have extended the survey duration to a length that could discourage participant engagement and compromise the accuracy of the responses.

5.3.2 Avenues for future research

Future research should consider diversifying the types of positions and industries examined. This broader approach would help mitigate the risk of industry-specific biases affecting the generalizability of findings, enabling a more comprehensive understanding of PT's impact across various employment sectors.

Within the scope of our research, we prioritized mediators that literature suggests have the most significant impact on application intentions in the context of PT. Yet, the introduction of PT could affect other important areas, as indicated through the concept of signaling theory, which presents a valuable direction for future research.

Given the understanding that candidates' intentions to apply are influenced by a variety of factors, among which compensation emerges as a particularly significant one, it becomes clear that further research is necessary to deepen our understanding of how these factors are prioritized by potential applicants. Such investigations would illuminate the strategies through which companies can most effectively manage their employer brands. By identifying the relative importance of different aspects of the employer value proposition, organizations

could tailor their communications to highlight the attributes most valued by their target applicant pool, thereby optimizing their employer branding efforts for maximum impact.

Considering the theoretical model developed by Brown et al. (2022), highlighting a spectrum of PT practices, additional insights could be achieved through replicating a similar experimental study, moving across several ‘placements’ across the spectrum. Such investigation should yield additional insights on to which degree of transparency that is optimal, being important for companies which aim to move beyond the mandates of the coming regulation.

Having a practical perspective, focusing on providing additional insights for industry, investigating how our studies results vary across compensation levels is an avenue to pursue. By default, throughout all positions in the job-market, half of the companies will provide a salary being above the median, while the other half doesn't. The managers operating below the median, could possibly need to pull additional strategic levers to achieve the benefits needed to compete efficiently on the talent market, referring to additional concepts within the scope of employer branding.

Considering the survey respondents' narrow demographical scope, similar studies should be conducted across different audiences. As discussed by Brown et al. (2022), there are differing opinions about pay information disclosure across audiences, suggesting that this study should be conducted beyond the target group of university students.

5.4 Conclusion and Final Remarks

This study has investigated implications of increasing the transparency of pay information in job advertisements. The increased transparency significantly enhanced job seekers' perceptions of an employer's trustworthiness and organizational image, subsequently influencing their application intentions positively.

Through a survey approach, we quantitatively assessed how different levels of disclosed compensation information in job advertisements affect the application intentions among students. This methodology not only ensured a controlled comparison of perceptions across different transparency levels but also highlighted the practical implications of PT in

real-world recruitment scenarios, mirroring how salary bands either are or are not disclosed in practice.

Theoretically, this research enriches the existing body of knowledge by demonstrating the direct impact of PT on key facets of employer branding such as organizational image and trustworthiness. Managerially, the findings provide compelling evidence for companies to proactively adapt PT, not merely as compliance with legal mandates but as a strategic initiative that enhances their attractiveness as employers. By breaking down the traditional information asymmetry in the context of compensation, companies can not only fulfill future regulatory obligations with major societal implications, but also to gain a strategic advantage in the highly competitive talent market.

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Appendix

Appendix A. The Study Design & Questions

Stimulus Group

Start your Career with a Global Leader in Management Consulting

Role Summary:

As a Strategy Consultant, you will work closely with our clients to understand their business challenges and develop strategic solutions that promote sustainable competitive advantages and drive operational excellence. This role requires a blend of analytical prowess, innovative thinking, and a collaborative spirit to deliver tangible results.

Key Responsibilities:

- Conduct comprehensive market research.
- Develop and present actionable strategies.
- Lead and participate in workshops and meetings.
- Work with cross-functional teams to implement strategies.
- Build and maintain strong relationships with clients.
- Stay abreast of industry trends and emerging technologies.

Qualifications:

- Bachelor's or Master's degree in Business, Economics, or related field.
- Demonstrated ability to think analytically and solve complex problems.
- Strong business acumen with a deep understanding of various industries.
- Excellent communication and presentation skills.
- Proven ability to work collaboratively in a team environment.

Compensation:

Salary Range: 100,000 – 120,000 INR Basic Pay (0 – 20% Bonus)

We are committed to transparency and fairness in all aspects of our employment practices, especially when it comes to compensation. We offer:

- A transparent salary banding that is communicated openly to applicants and employees, ensuring clarity and fairness in pay decisions.
- Regular salary reviews to ensure our compensation remains competitive and reflects your working contributions to the firm.
- Detailed explanations of the criteria used to determine salaries and bonuses, promoting understanding and trust in our compensation practices.

About Us:

We are a leading global management consultancy firm committed to delivering transformative strategies that drive growth, enhance performance, and navigate complex challenges.

Our team of experts specializes in providing deep industry insights and innovative solutions to businesses across various sectors. Join us in shaping the future of businesses around the world.

Apply Now by Submitting Your Resume and Cover Letter

hr@globalbiz.com

Control Group

Start your Career with a Global Leader in Management Consulting

Role Summary:

As a Strategy Consultant, you will work closely with our clients to understand their business challenges and develop strategic solutions that promote sustainable competitive advantages and drive operational excellence. This role requires a blend of analytical prowess, innovative thinking, and a collaborative spirit to deliver tangible results.

Key Responsibilities:

- Conduct comprehensive market research.
- Develop and present actionable strategies.
- Lead and participate in workshops and meetings.
- Work with cross-functional teams to implement strategies.
- Build and maintain strong relationships with clients.
- Stay abreast of industry trends and emerging technologies.

Qualifications:

- Bachelor's or Master's degree in Business, Economics, or related field.
- Demonstrated ability to think analytically and solve complex problems.
- Strong business acumen with a deep understanding of various industries.
- Excellent communication and presentation skills.
- Proven ability to work collaboratively in a team environment.

Compensation:

Competitive. Discussed in interview.

About Us:

We are a leading global management consultancy firm committed to delivering transformative strategies that drive growth, enhance performance, and navigate complex challenges.

Our team of experts specializes in providing deep industry insights and innovative solutions to businesses across various sectors. Join us in shaping the future of businesses around the world.

Apply Now by Submitting Your Resume and Cover Letter

hr@controlbiz.com

Trustworthiness

Rate your level of agreement for the following statements (1 = Strongly Disagree & 5 = Strongly Agree)

Ability	This company seems to possess the necessary expertise to achieve its goals
	From what I can tell, this company has the skills required to be successful in its industry
	I perceive this company as one that understands its business well
	This company appears to be competent in managing its operations effectively
	The impression I have is that this company has the capacity to deliver on its commitments
Benevolence	I believe that this company would consider the needs and interests of its employees

	It seems to me that this company is likely to act in the best interest of its workforce
	This company appears to genuinely care about its employees' welfare
	I get the impression that this company values its employees and their contributions
	I perceive this company as one that would make an effort to support its employees
Integrity	I consider this company to be one that maintains high ethical standards
	Based on what I perceive, this company seems to be trustworthy and honest
	This company likely adheres to its policies and promises consistently
	I believe this company would conduct its business fairly and with integrity
	The principles and values of this company, as I understand them, seem to be aligned with ethical practices

Employer Image

Reflecting on the company details provided, please indicate your agreement with the following statements using a scale from 1 (Strongly Disagree) to 5 (Strongly Agree).

Instrumental Attributes	Salary & Benefits: The company offers competitive salary and benefits.
	Job Security: Employees enjoy a high level of job security at this company.
	Career Advancement: There are significant opportunities for career growth.
	Work-life Balance: The company prioritizes work-life balance through its policies.
	Organizational Efficiency: The organizational structure enhances efficiency and productivity.
Symbolic Attributes	Innovativeness: The company is pioneering and innovative.
	Sincerity: The company is recognized as sincere and trustworthy.
	Competence: The company is seen as highly competent and successful.
	Prestige: Being associated with this company is prestigious and respected.
	Diversity & Inclusion: The company is committed to diversity and inclusion.
	Social Responsibility: The company is actively engaged in social responsibility efforts.

Application Intentions

Rate your level of agreement for the following statements (1 = Strongly Disagree & 5 = Strongly Agree)

(Highhouse et al 2003)	This company would be one of my first choices as an employer
	I would exert a great deal of effort to work for this company
	If this company invited me for an interview, I would go
Taylor and Bergman (1987)	Based on what I have seen the company appears like an attractive place to work
Taylor and Bergman (1987) & Robertson et al. (2005)	If I were searching for a job, I would apply to this organization
	If this organization offered me a job, I would probably accept it

Socioeconomic Status

Please respond to each statement on a scale from 1 to 7 (1 = Strongly Disagree, 7 = Strongly Agree)

Griskevicius et al. (2011)	My family usually had enough money for things when I was growing up
	I felt relatively wealthy compared to the other kids in my school
	I grew up in a relatively wealthy neighborhood
	I have enough money to buy things I want
	I don't worry too much about paying my bills
	I don't think I'll have to worry about money too much in the future

Additional Questions

Age

Gender

Current Employment Status

Job Seeking Status

How often do you browse for new job opportunities?

To what extent are you familiar with the EU Pay Transparency Directive?

Attention Check Question

What was this survey about?

1. Geopolitics and War
2. Company Perceptions and Application Intentions
3. Fishing and Sailing

Appendix B. Reliability Analysis

Construct	Source(s)	Measure(s)	N	Cronbach's Alpha
Application Intentions	Taylor & Bergmann (1987) Robertson et al. (2005) Highhouse et al. (2003)	Based on what I have seen the company appears like an attractive place to work	6	$\alpha = 0,870$
		This company would be one of my first choices as an employer		
		I would exert a great deal of effort to work for this company		
		If I were searching for a job, I would apply to ...		
		If this company invited me for an interview, I would go		
Employer Image	Highhouse et al. (2003)	If this organization offered me a job, I would probably accept	11	$\alpha = 0,851$
		Instrumental Attributes; Salary & Benefits, Job Security, Career Growth, Work-life Balance, and Organisational Structure Symbolic Attributes: Innovativeness, Trustworthiness, Competency, Prestige, Diversity & Inclusion, and Social Sustainability Image		
Trustworthiness	Mayer et al. (1995) Mayer & Davis (1999)	Ability, Benevolence, and Integrity	15	$\alpha = 0,933$
Socioeconomic Status	Griskevicius et al. (2011)	My family usually had enough money for things when I was growing up	6	$\alpha = 0,758$
		I grew up in a relatively wealthy neighbourhood		
		I felt relatively wealthy compared to the other kids in my school		
		I have enough money to buy things I want		
		I don't worry too much about paying my bills I don't think I'll have to worry about money too much in the future		

Note: This table illustrates Cronbach's alpha for the entire sample. When analyzed separately in alignment with the focus groups, similar results has been observed.

Appendix C. Regression Analysis

Appendix D. Independent Sample T-test Mean Difference for Employer Image, Trustworthiness and Application Intentions [PT VS. NPT]						
Antecedent	PT [n=75]		NPT [n=71]		Independent Samples T-test [n=146, df=144]	
	Mean	SD	Mean	SD	t-value	p-value
Employer Image	3.6109	0.64240	3.2497	0.52036	3.743	<0.001
Trustworthiness	3.7449	0.74151	3.4469	0.55025	2.767	0.006
Application Intentions	3.9556	0.75801	3.1502	0.77672	6.335	<0.001
Note: Significance at *p<0.10, **p< 0.05, and ***p<0.001						

For all regressions conducted there was no autocorrelation issue with the Durbin Watson statistic between 1-3. No heteroscedasticity issue either: a scatter plot of residuals appears normally distributed. Lastly, there was medium multicollinearity, with condition index less than 20 but deemed acceptable because it was less than 30.

Appendix D. Usage of Generative Artificial Intelligence

We used the AI tool ChatGPT4 to identify areas for improvement in our vocabulary and to explore potential ways to articulate our ideas more clearly. These AI tools helped us analyze our text for complex or unclear language, suggesting more concise and effective ways to express our concepts. We hope that this process enhanced the overall readability and comprehension of our thesis. Furthermore, ChatGPT-4 served as a devil's advocate for our arguments, providing counterpoints and challenging our assumptions. Additionally, the AI functioned as an independent mediator during conflicts about decisions regarding the thesis throughout the process, helping to resolve disagreements by offering unbiased perspectives.

Appendix E. Cross Loadings

Appendix D. Cross Loadings		
Questionnaire Item	Main Loading	Cross Loading
Based on what I perceive, this company seems to be trustworthy and honest	Factor 1	Factor 2
	0.588	0.440
This company likely adheres to its policies and promises consistently	Factor 1	Factor 2
	0.547	0.424

	Factor 1	Factor 2
I believe this company would conduct its business fairly and with integrity	0.481	0.477
	Factor 3	Factor 1
I consider this company to be one that maintains high ethical standards	0.589	0.435
	Factor 3	Factor 4
I believe employees enjoy a high level of job security at this company	0.512	0.400
	Factor 3	Factor 1
I believe the company offers competitive salary and benefits	0.612	0.569
	Factor 5	Factor 3
I believe the company is pioneering and innovative	0.514	0.513