

Netflix Didn't Fail at Pay Transparency. It Failed at Pay Design.

As pay transparency spreads across the labor market, the real question isn't whether to adopt it. It's whether your compensation system is designed to support it.



For years, pay transparency has been promoted as a cure for workplace inequity and mistrust. The logic seems straightforward: when employees understand how compensation works, fairness improves and trust grows.

But transparency can also expose something uncomfortable. Sometimes the problem isn't visibility. It's the system behind the numbers.

When Netflix reversed its internal pay transparency practice by removing the ability for senior leaders to view one another's compensation, [as Fortune reported](#), the decision seemed to contradict one of the company's most celebrated cultural tenets: transparency.

Netflix has long championed radical openness, often framing it as a foundation of trust between leadership and employees. But as the company expanded its senior ranks, broad visibility into peer compensation began fueling comparison, distraction, and internal friction. Leadership ultimately concluded that the costs of this level of transparency outweighed the benefits.

For some executives, that decision felt validating: *See? Transparency doesn't work.*

That's an easy conclusion to draw. But it misses the real lesson.

Netflix's experience doesn't prove that transparency fails. It reveals something far more fundamental: **transparency without deliberate compensation architecture will quickly expose structural weaknesses**. When pay systems lack clear design, governance, and context, visibility amplifies inconsistency rather than trust.

In other words, transparency does not break compensation systems. It reveals whether they were designed well in the first place.

And organizations have little time to get this right. Pay transparency is spreading rapidly across industries and labor markets—turning what was once a cultural choice into an expectation. Pay transparency is no longer a philosophical debate. It is a structural reality.

Why Pay Transparency Is Becoming a Business Imperative

Pay transparency laws began with Colorado in 2021 and are quickly spreading nationwide. Today more than 15 U.S. states and Washington, D.C., now require some form of pay transparency, often mandating that employers disclose salary ranges in job postings or provide them to candidates during the hiring process.

External pressure to deliver pay transparency is only part of the story.

Candidate expectations are shifting rapidly as well. [Research shows](#) that in 2026, **job postings with salary information attract up to 30% more applicants, and 44% of job seekers say they are unlikely to apply to a role if the pay range isn't listed**.

This impact extends well beyond talent attraction. Pay transparency also shapes how employees evaluate fairness, trust leadership, and decide whether to stay:

- ▶ 50% of employees report they are likely to look for a new job if they believe they are paid unfairly.
- ▶ 34% report lower engagement when compensation lacks clarity.
- ▶ 41% report reduced trust in leadership when pay practices are opaque.
- ▶ 70% believe transparency helps reduce gender and ethnicity-based pay gaps.

And organizations are listening.

According to Mercer's 2025 [Global Pay Transparency Report](#), **77% of organizations are actively developing a pay transparency strategy, and 70% of employers believe greater transparency will improve pay equity**.

Yet only about a quarter of U.S. HR leaders believe their organizations execute compensation transparency effectively. As Netflix experienced, transparency alone isn't enough. Without a thoughtfully designed compensation system behind it, transparency can expose weaknesses faster than organizations are prepared to address them.

Where Pay Transparency Breaks Down

1. Transparency Without Context Creates Distortion

Compensation numbers, standing alone, rarely tell the full story.

Pay decisions reflect market dynamics, scope, performance, skill scarcity, geography, hiring timing, and strategic business value. When employees see raw figures without understanding the logic behind them, comparison becomes the dominant lens.

Research consistently shows that while transparency can narrow wage gaps, it can also intensify peer comparison if not paired with explanation and structure.

This was at the heart of Netflix's challenge. By giving senior leaders visibility into one another's specific compensation, not just the ranges, the company unintentionally encouraged comparison without providing the broader context behind those decisions.

2. Growth Magnifies Variance

As organizations scale, compensation variance increases naturally.

External hires often enter at market premiums, especially when emerging capabilities command higher pay thresholds. Internal promotions and pay increases, however, tend to progress more gradually. For example, a

software engineer with an in-demand skill set hired during a talent shortage may enter at a significantly higher salary than a colleague promoted internally two years earlier.

Without disciplined leveling frameworks and clear governance, these dynamics can create pay dispersion that becomes increasingly difficult to explain. When transparency enters the picture, those differences become visible instantly.

Transparency does not create inconsistency in pay. It simply reveals it.

3. Legal Disclosure Is Not Strategic Transparency

Posting a wide salary range may satisfy compliance requirements. But a range alone does not build trust. Employees want to understand:

- ▶ Where they sit in the range and why
- ▶ What drives movement through the range
- ▶ How roles and levels are differentiated
- ▶ How performance translates into pay growth

Transparency without architecture breeds confusion. But architecture without transparency breeds suspicion.

Organizations getting this right are not choosing between the two. They are designing [compensation strategies](#) that align with their broader talent systems—[job architecture](#), leveling frameworks, career progression, and performance management.

Designing Transparency That Works

The real mistake in the transparency debate is assuming it is binary.

It is not “full visibility” or “total secrecy.” There is a far more strategic path: **designed transparency**.

One practical model is structured transparency within defined career paths. Rather than exposing every compensation decision across the entire organization, employees gain clear visibility into the compensation structure most relevant to their careers, including pay bands and progression opportunities within adjacent job families.

This shifts the conversation from questioning fairness to understanding opportunities—from both a career and pay perspective. Instead of asking, “*Why does someone in another function earn more?*” Employees begin asking, “*What capabilities do I need to continue to grow and earn more?*”

In this way, transparency can become a driver for internal mobility. By sharing salary information for roles and functions where organizations most need to build capability, leaders can empower employees to explore emerging skills and higher-impact areas for the organization.

This approach supports both employee exploration and organizational agility. Transparency becomes not just a compliance exercise, but a catalyst for aligning talent movement with business strategy.

The Acera Perspective

Our work with organizations consistently shows that when career architecture, compensation strategy, governance, and market data are aligned, pay transparency becomes a competitive advantage.

But that advantage does not emerge automatically when organizations adopt pay transparency. Without clear architecture and context, even well-intentioned transparency can create friction, as Netflix’s experience illustrates.

When transparency is thoughtfully designed and aligned with the broader talent management strategy, it does far more than reveal pay. It reveals opportunity, strengthens trust, and connects employee growth with the capabilities organizations need to build.

In the end, transparency is not simply about sharing numbers. It is about building a compensation system that drives retention and business outcomes.