Supplementary Material for Article:

Whose Pay Should Be Cut in Economic Crises? Consumers Prefer Firms That Prioritize Paying Employees Over CEOs

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# S1. Stimuli for Study 1

*Instructions:*

On the following pages, you will see a description of a company. You will then be asked to describe your feelings about the company.

 \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

Imagine that you are looking to purchase a new set of headphones, to replace a broken set that you currently have. You find a pair of high quality stereo headphones that you like. A well-known retailer sells the headphone online, at a price point that is below your budget.

Imagine that you then learn that due to the COVID-19 epidemic, the well-known retailer closed down a number of their physical stores.

*[Participants randomly presented one of the four following conditions*:]

*Employee Paid Fully Condition*

They have decided to continue paying their retail employees their salary.

*Employee Cut Fully Condition*

They have decided to no longer pay their retail employees their salary.

*CEO Paid Fully Condition*

They have decided to continue paying the CEO of the company their salary.

*CEO Cut Fully Condition*

They have decided to no longer pay the CEO of the company their salary.

*Dependent Variable*

 Given the opportunity, how likely are you to purchase the headphones from this retailer?

Not at all likely ⭘⭘⭘⭘⭘⭘⭘ Very likely

*Perceived Pain*

 How much pain does the company's decision cause the employees?

 None at all ⭘⭘⭘⭘⭘⭘⭘ Very much

How much pain does the company's decision cause the CEO?

None at all ⭘⭘⭘⭘⭘⭘⭘ Very much

*Demographics:*

Have your own wages been negatively affected by the COVID-19 virus? [yes/ no]

Please enter your age \_\_\_

What is your gender? [M/F]

What is your highest level of education?

What is your monthly household income? [multiple choice ranging from $0 to $10,000]

# S2. Stimuli for Study 2

*Instructions:*

On the following pages, you will see a description of a company. You will then be asked to describe your feelings about the company.

 \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

Imagine that you are looking to purchase a new pair of shoes, to replace a worn-out pair that you currently have. You find a pair of high quality shoes that you like. A well-known retailer sells the shoes online, at a price point that is below your budget.

Imagine that you then learn that due to the COVID-19 epidemic, the well-known retailer closed down their physical stores.

**In this company, the CEO’s salary costs $14 million dollars a year.**

**Continuing to pay all employees their regular salary would cost $14 million dollars.**

*[Participants randomly presented one of the two following employee conditions:]*

*Employee Cut Fully Condition:*

 The company had decided to stop paying their retail employees their salaries.

*Employee Paid Fully Condition:*

The company has decided to continue paying their retail employees their salaries.

*[Participants randomly presented one of the two following CEO conditions:]*

*CEO Cut Fully Condition:*

 The company had decided to stop paying their CEO their salary.

*CEO Paid Fully Condition:*

The company has decided to continue paying their CEO their salary.

*Dependent Variable:*

Given the opportunity, how likely are you to purchase the shoes from this retailer?

Not at all likely ⭘⭘⭘⭘⭘⭘⭘ Very likely

*Perceived Pain*

 How much pain does the company's decision cause the employees?

 None at all ⭘⭘⭘⭘⭘⭘⭘ Very much

How much pain does the company's decision cause the CEO?

None at all ⭘⭘⭘⭘⭘⭘⭘ Very much

*Perceived Fairness*

How fair do you think the wage that this retailer pays its CEO is?

Not at all fair ⭘⭘⭘⭘⭘⭘⭘ Extremely fair

How fair do you think the wages that this retailer pays its employees are?

Not at all fair ⭘⭘⭘⭘⭘⭘⭘ Extremely fair

# S3. Stimuli for Study 3

*Instructions:*

On the following pages, you will see descriptions of four different companies. You will be asked how interested you are in buying a 25% discounted gift card to each company.

(note: a 25% discounted gift card means you could buy a $100 gift card for only $75 or a $20 gift card for only $15)

*[Participants randomly assigned to one of the two following conditions:]*

*Control Condition:*

**Company A** is a nationwide chain of retail stores that sells apparel in-store and online. Company A’s products mainly comprises apparel and footwear, accessories, fine and fashion jewelry, home furnishings, and beauty products. Company A offers private, exclusive, and national brands across the United States and Puerto Rico.

**Company B** is a nationwide chain of retail stores that sells apparel in-store and online. Company B sells moderately priced private-label and national brand clothing, shoes, accessories, cosmetics, and home furnishings. Company B operates 1,159 department stores in 49 states. Most of these stores are in strip centers. Company B also operates an e-commerce site.

**Company C** is a nationwide chain of retail stores that sells apparel in-store and online. Company C designs, develops, and markets athletic apparel, footwear, equipment, and accessories. Company C sells products worldwide and outsources its production to more than 400 factories in more than 40 countries.

**Company D** is a nationwide chain of retail stores that sells apparel in-store and online. Company D makes outdoor and active-lifestyle apparel, footwear, equipment, and accessories. The majority of sales are in the United States, but the company also has significant international sales.

*Revealed Condition:*

**Company A** is a nationwide chain of retail stores that sells apparel in-store and online. Company A’s products mainly comprises apparel and footwear, accessories, fine and fashion jewelry, home furnishings, and beauty products. Company A offers private, exclusive, and national brands across the United States and Puerto Rico.

Due to the COVID-19 epidemic, they decided to continue to pay their CEO’s full salary, and no longer pay their retail employees’ salaries.

**Company B** is a nationwide chain of retail stores that sells apparel in-store and online. Company B sells moderately priced private-label and national brand clothing, shoes, accessories, cosmetics, and home furnishings. Company B operates 1,159 department stores in 49 states. Most of these stores are in strip centers. Company B also operates an e-commerce site.

Due to the COVID-19 epidemic, they decided to cut their CEO’s salary, and no longer pay their retail employees’ salaries.

**Company C** is a nationwide chain of retail stores that sells apparel in-store and online. Company C designs, develops, and markets athletic apparel, footwear, equipment, and accessories. Company C sells products worldwide and outsources its production to more than 400 factories in more than 40 countries.

Due to the COVID-19 epidemic, they decided to continue to pay their CEO’s full salary, and continue to pay their retail employees’ salaries.

**Company D** is a nationwide chain of retail stores that sells apparel in-store and online. Company D makes outdoor and active-lifestyle apparel, footwear, equipment, and accessories. The majority of sales are in the United States, but the company also has significant international sales.

Due to the COVID-19 epidemic, they decided to cut their CEO’s salary, and continue to pay their retail employees’ salaries.

*Dependent Variable: Intent to Purchase*

[All participants rated their intent to purchase a discounted gift card to each of the four companies across a five-item scale using a 7-point semantic differential; adapted from Spears and Singh ($α$= .98; 2004)]

What is your intention to buy a discounted gift card from Company \_\_?

Never ⭘⭘⭘⭘⭘⭘⭘ Definitely

Definitely do not intent to buy ⭘⭘⭘⭘⭘⭘⭘ Definitely intend to buy

Very low purchase interest ⭘⭘⭘⭘⭘⭘⭘ Very high purchase interest

Definitely not buy it ⭘⭘⭘⭘⭘⭘⭘ Definitely buy it

Probably no ⭘⭘⭘⭘⭘⭘⭘ Probably buy it

*NOTE*: Participants rated their intent to purchase each of the four companies on separate pages. Information about the companies appeared at the top of each page, to ensure that participants had all of the information available while indicated their purchase intent for each company.

*Dependent Variable: Gift Card Choice*

You have the opportunity to be entered into a draw for a chance to win a $50 gift card for EITHER Company A, Company B, Company C, or Company D.

It is your choice whether to be entered for the draw. Please make your selection below.  If you win the gift card draw, then we will give you the amount of the gift card.  Your odds of winning the raffle are approximately 1 in 400.

I would like to enter the draw for a…

 ⭘ Company A Gift Card

⭘ Company B Gift Card

⭘ Company C Gift Card

⭘ Company D Gift Card

*Hypothesis Guess:*

 What do you think was the purpose of this study?

 ⭘To understand whether people buy discounted gift cards

 ⭘ To understand how people shop before versus after COVID

 ⭘ To understand how the number of stores in a company affects behavior

 ⭘ To understand how employee and executive salaries affect behavior

 ⭘ I don’t know

# S4. Stimuli for Study 4

*Instructions:*

On the following pages, you will see descriptions of four different companies. You will be asked how interested you are in buying a 25% discounted gift card to each company.

(note: a 25% discounted gift card means you could buy a $100 gift card for only $75 or a $20 gift card for only $15)

*[Participants randomly assigned to one of the two following conditions:]*

*Control Condition:*

**Company A** is a nationwide chain of retail stores that sells apparel in-store and online. Company A’s products mainly comprises apparel and footwear, accessories, fine and fashion jewelry, home furnishings, and beauty products. Company A offers private, exclusive, and national brands across the United States and Puerto Rico.

**Company B** is a nationwide chain of retail stores that sells apparel in-store and online. Company B sells moderately priced private-label and national brand clothing, shoes, accessories, cosmetics, and home furnishings. Company B operates 1,159 department stores in 49 states. Most of these stores are in strip centers. Company B also operates an e-commerce site.

**Company C** is a nationwide chain of retail stores that sells apparel in-store and online. Company C designs, develops, and markets athletic apparel, footwear, equipment, and accessories. Company C sells products worldwide and outsources its production to more than 400 factories in more than 40 countries.

**Company D** is a nationwide chain of retail stores that sells apparel in-store and online. Company D makes outdoor and active-lifestyle apparel, footwear, equipment, and accessories. The majority of sales are in the United States, but the company also has significant international sales.

*Revealed Condition:*

**Company A** is a nationwide chain of retail stores that sells apparel in-store and online. Company A’s products mainly comprises apparel and footwear, accessories, fine and fashion jewelry, home furnishings, and beauty products. Company A offers private, exclusive, and national brands across the United States and Puerto Rico.

A few years ago, this company failed to reach its earning goals due to poor performance. They decided to continue to pay their CEO's full salary and no longer pay their retail employee's salaries.

**Company B** is a nationwide chain of retail stores that sells apparel in-store and online. Company B sells moderately priced private-label and national brand clothing, shoes, accessories, cosmetics, and home furnishings. Company B operates 1,159 department stores in 49 states. Most of these stores are in strip centers. Company B also operates an e-commerce site.

A few years ago, this company failed to reach its earning goals due to poor performance. They decided to cut their CEO's salary and no longer pay their retail employee's salaries.

**Company C** is a nationwide chain of retail stores that sells apparel in-store and online. Company C designs, develops, and markets athletic apparel, footwear, equipment, and accessories. Company C sells products worldwide and outsources its production to more than 400 factories in more than 40 countries.

A few years ago, this company failed to reach its earning goals due to poor performance. They decided to continue to pay their CEO's full salary and continue to pay their retail employee's salaries.

**Company D** is a nationwide chain of retail stores that sells apparel in-store and online. Company D makes outdoor and active-lifestyle apparel, footwear, equipment, and accessories. The majority of sales are in the United States, but the company also has significant international sales.

A few years ago, this company failed to reach its earning goals due to poor performance. They decided to cut their CEO's salary and continue to pay their retail employee's salaries.

*Dependent Variable: Intent to Purchase*

What is your intention to buy a discounted gift card from Company \_\_?

Never ⭘⭘⭘⭘⭘⭘⭘ Definitely

Definitely do not intent to buy ⭘⭘⭘⭘⭘⭘⭘ Definitely intend to buy

Very low purchase interest ⭘⭘⭘⭘⭘⭘⭘ Very high purchase interest

Definitely not buy it ⭘⭘⭘⭘⭘⭘⭘ Definitely buy it

Probably no ⭘⭘⭘⭘⭘⭘⭘ Probably buy it

*NOTE*: Participants rated their intent to purchase each of the four companies on separate pages. Information about the companies appeared at the top of each page, to ensure that participants had all of the information available while indicated their purchase intent for each company.

# S5. Supplemental Analysis for Study 3

**Effect of Disclosure on Purchase Intentions for Each Company:**

Overall, the disclosure of payment decisions influenced purchase intentions for all four companies. Importantly, the four companies (Company A, B, C, and D) that participants read about had unique descriptions (see S3 for full description of each company). Therefore, even in the control condition there are significant differences in purchase intent across the four companies (see Figure S1).

**Figure S1.** Purchase Intentions in Control Condition for Study 3. Error bar shows 95% CI.

Therefore, rather than comparing purchase intent for each company across ‘revealed’ conditions, we compare consumer purchase intent for each company when their pay strategies are revealed (‘revealed’ condition) relative to the ‘control’ condition in which no information about pay strategies is given.

Participants who read that Company A decided to continue to pay their CEO, but not pay retail employee salaries were significantly less interested in a gift card (*M* = 2.52, *SD* = 1.74) than those in the no disclosure condition (*M* = 4.37, *SD* = 1.55), *t*(402) = 11.30, *p* < .001, *d* = 1.12. Participants who read that Company B decided to cut their CEO salary and cease retail employee salaries were significantly less interested in a gift card (*M* = 2.95, *SD* = 1.75) than those in the no disclosure condition (*M* = 4.72, *SD* = 1.51), *t*(402) = 10.89, *p* < .001, *d* = 1.08. Participants who read that Company C decided to continue to pay their CEO and retail employee salaries were significantly more interested in a gift card (*M* = 4.65, *SD* = 1.63) than those in the no disclosure condition (*M* = 3.53, *SD* = 1.64), *t*(402) = -6.90, *p* < .001, *d* = .69. Finally, participants who read that Company D decided to cut their CEO pay, but continue to pay retail employee salaries were significantly more interested in a gift card (*M* = 5.66, *SD* = 1.28) than those in the no disclosure condition (*M* = 4.08, *SD* = 1.71), *t*(402) = -10.51, *p* < .001, *d* = 1.05. Overall, participants reacted most favorably to the companies that chose to maintain employee pay (see Table S1).

**Table S1**. Effects of Disclosure on Purchase Intentions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Company** | **Mean Purchase Intent****(SD)** | **T-test** | **P-value** | **Effect Size** **(*d*)** | **95% CI of Effect Size** |
| No Disclosure | Disclosure |
| **A:** Employee Cut and CEO Full | 4.37(1.55) | 2.52(1.74) | 11.30 | *p* < .001 | -1.12 | [-1.33, -0.91] |
| **B:** Employee Cut and CEO Cut | 4.72(1.51) | 2.95(1.75) | 10.89 | *p* < .001 | -1.08 | [-1.29, -0.87] |
| **C:** Employee Full and CEO Full | 3.53(1.64) | 4.65(1.63) | 6.90 | *p* < .001 | 0.69 | [0.49, 0.89] |
| **D:** Employee Full and CEO Cut | 4.08(1.71) | 5.66(1.28) | 10.51 | *p* < .001 | 1.05 | [0.84, 1.25] |

**Controlling for Hypothesis Guessing**

To check for demand effects, we included a “hypothesis guess” measure to Study 3. Participants read a description about four different companies (no disclosure of salary decisions vs. disclosure of salary decisions), rated their intent to purchase from each company, and then selected which company they would prefer to receive a gift card to. Finally, all participants were asked, “What do you think was the purpose of this study?” This was a multiple choice question with the following options: *To understand whether people buy discounted gift cards*; *To understand how people shop before versus after COVID*; *To understand how the number of stores in a company affects behavior*; *To understand how employee and executive salaries affect behavior (correct)*; *I don’t know*.

**Table S2.** Frequency of answers to hypothesis guess

|  |  |  |
| --- | --- | --- |
| **Answer** | **Number of Participants** | **Percent of Participants** |
| To understand whether people buy discounted gift cards | 90 | 22.3 |
| To understand how people shop before versus after COVID | 32 | 7.9 |
| To understand how the number of stores in a company affects behavior | 85 | 21.0 |
| **To understand how employee and executive salaries affect behavior**  | 156 | 38.6 |
| I don’t know | 41 | 10.1 |

Here we report the results to Study 3 removing the 156 participants who correctly guessed the purpose of the study (N = 248; 50% female; age: *M* = 38.46 years, *SD* = 11.76)

**Purchase Intention.** We ran a mixed ANOVA to analyze the effects of disclosure condition (between-subjects), employee pay decision (within-subject) and CEO pay decision (within-subject) on purchases intentions (see Figure S1). We do not find a significant main effect of disclosure condition, *F*(1,246) = 2.80, *p* = .10, η2 = .01, but we do find a significant main of employee pay decision, *F*(1,246) = 9.30, *p* = .003, η2 = .04, and a significant interaction with disclosure condition, *F*(1,246) = 72.67, *p* < .001, η2 = .23, such that participants were significantly less intent on purchasing from a company when it was disclosed that they decided to cease employee pay. We also find a significant main effect of CEO pay decision *F*(1,246) = 26.68, *p* < .001, η2 = .10, but no interaction with disclosure condition, *F*(1,246) = .02, *p* = .88, η2 < .01, such that participants were significantly more intent on purchasing from the companies that cut CEO pay in both conditions. There was not a significant interaction between disclosure, employee pay decision, and CEO pay decision, *F*(1,246) = .05, *p* = .83, η2 < .01, such that participants reacted equally favorably to the companies that chose to maintain employee pay, regardless of CEO pay decision. See Table S3 for effect of disclosure on purchase intention for each company.

**Figure S2.** Effects of Disclosure on Purchase Intentions Filtering Out Hypothesis Guess

**Table S3**. Effects of Disclosure on Purchase Intentions Filtering Out Hypothesis Guess

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Company** | **Mean Purchase Intent****(SD)** | **T-test** | **P-value** | **Effect Size** **(*d*)** |
| No Disclosure | Disclosure |
| **A:** Employee Cut and CEO Full | 4.35(1.56) | 3.48(2.13) | 3.26 | *p* = .001 | -0.47 |
| **B:** Employee Cut and CEO Cut | 4.71(1.52) | 3.82(2.18) | 3.36 | *p* < .01 | -0.47 |
| **C:** Employee Full and CEO Full | 3.49(1.64) | 4.93(1.81) | 5.43 | *p* < .001 | 0.83 |
| **D:** Employee Full and CEO Cut | 4.05(1.71) | 5.56(1.41) | 5.77 | *p* < .001 | 0.97 |

**Choice of Gift Card**. Given the structure of our data (gift card choice as a four-level categorical DVand condition as a categorical predictor), we ran a multinomial logistic regression to examine the effect of disclosure on gift card choice. The model for the overall data set was significant χ2 (3)= 20.78; *p* < .001; see Table S4 for full results). In this regression, the disclosure condition was included as a predictor, with the control (*no disclosure*)condition as the dummy level, and thus significance tests are run in comparison to no disclosure control. The company that decided to continue to pay both their CEO’s full salary and their retail employees’ full salaries (Company A) is used as the reference group for gift card choice.

We find that participants in the disclosure condition are less likely to choose either of the companies that cease employee salaries, relative to the company that maintained both employee and CEO pay. Further, participants were less likely to choose the company that cut the CEO pay in addition to paying employees in full, relative to the company that chose to pay both CEO and employee in full.

**Table S4**. Multinomial logistic regression estimates

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variables  | *B (SE)* | Wald *x2* | *p* | Odds Ratio *Exp(B)* | 95% Confidence Interval for *Exp(B)*  |
| Gift Card Choicea |   |   |   |   |   |
|  Employee Cut and CEO Full | -2.318 (0.553) | 17.54 | <.001 | 0.098 | [0.033, 0.291] |
|  Employee Cut and CEO Cut | -1.697 (0.478) | 12.618 | <.001 | 0.183 | [0.072, 0.467] |
|  Employee Full and CEO Cut | -1.196(0.493) | 5.88 | .015 | 0.302 | [0.115, 0.795] |

1. The baseline levels were *no disclosure* condition and CEO Full and Employee

# S6. Supplemental Analysis for Study 4

**Effect of Disclosure on Purchase Intentions for Each Company:**

As in Study 3, participants in Study 4 read about four different companies (Company A, B, C, and D), each with a different description (see S4 for full descriptions). Therefore, even in the control condition there are significant differences in purchase intent across the four companies (see Figure S3).

**Figure S3.** Purchase Intentions in Control Condition for Study 4. Error bar shows 95% CI.

Therefore, rather than comparing purchase intent for each company across ‘revealed’ conditions, we compare consumer purchase intent for each company when their pay strategies are revealed (‘revealed’ condition) relative to the ‘control’ condition in which no information about pay strategies is given.

Participants who read that Company A decided to continue to pay their CEO and no longer pay employee salaries were significantly less interested in a gift card (*M* = 2.53, *SD* = 1.73) than those in the no disclosure condition (*M* = 4.48, *SD* = 1.56), *t*(400) = 11.84, *p* < .001, *d* = 1.18. Participants who read that Company B decided to cut their CEO salary and no longer pay retail employee salaries were significantly less interested in a gift card (*M* = 2.84, *SD* = 1.72) than those in the no disclosure condition (*M* = 4.75, *SD* = 1.52), *t*(400) = 11.84, *p* < .001, *d* = 1.18. Participants who read that Company C decided to continue to pay their CEO and retail employee salaries were significantly more interested in a gift card (*M* = 4.37, *SD* = 1.72) than those in the no disclosure condition (*M* = 4.01, *SD* = 1.71), *t*(400) = -2.08, *p* = .04, *d* = .21. Finally, participants who read that Company D decided to cut their CEO salary, but continue to pay retail employee salaries were significantly more interested in a gift card (*M* = 5.45, *SD* = 1.49) than those in the no disclosure condition (*M* = 4.24, *SD* = 1.64), *t*(400) = -7.77, *p* < .001, *d* = .78. Importantly, we see equal effect sizes for both companies that choose to no longer pay employee salaries. However, we do see that there was a significantly larger positive effect for the company that chose to maintain employee pay and cut CEO pay relative to the company that maintained both employee and CEO pay (see Company D in Table S5).

**Table S5**. Effects of Disclosure on Purchase Intentions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Company** | **Mean Purchase Intent****(SD)** | **T-test** | **P-value** | **Effect Size** **(*d*)** | **95% CI of Effect Size** |
| No Disclosure | Disclosure |
| **A:** Employee Cut and CEO Full | 4.48(1.56) | 2.53(1.73) | 11.84 | *p* < .001 | -1.18 | [-1.39, -0.97] |
| **B:** Employee Cut and CEO Cut | 4.75(1.52) | 2.84(1.72) | 11.84 | *p* < .001 | -1.18 | [-1.39, -0.97] |
| **C:** Employee Full and CEO Full | 4.01(1.71) | 4.37(1.72) | 2.08 | *p* = .04 | 0.21 | [0.01, 0.40] |
| **D:** Employee Full and CEO Cut | 4.24(1.64) | 5.45(1.49) | 7.77 | *p* < .001 | 0.78 | [0.57, 0.98] |