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Titles as Compensation

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Titles as Compensation

Is it important for organizations to think carefully about titles among the components of a total rewards package?

When I was in high school, someone told me he was working as a service clerk. A what? It turns out he was bagging groceries at the local Stop & Shop. At Subway, a front-line employee is called a Sandwich Artist or Senior Sandwich Artist. And recently, I had a call with someone who holds

two titles: “president” and “chief pet insurance officer.” The former I’d heard before (of course), but the latter is unique.

I love this stuff. But it got me thinking about titles as compensation. A pay increase usually accompanies a promotion. But is there a tradeoff between salary and title? Is it sometimes cheaper to give a title increase instead of a pay raise? But what are the unintended consequences of doling out raises through titles instead of in cash?

Job Titles as Part of the Total Rewards Package

Wages and salaries are just part of total rewards. Insurance, vacation time, bonuses and working conditions are other important forms of compensation. Each of these costs the organization something. In fact, only about 70 cents of every \$1 spent on compensation costs goes to American workers in the form of wages and salaries.

But there are other attributes of jobs — less easily measured in dollars — that employees value. These can include colleagues, company reputation and even job titles. At the margin it is possible to imagine a tradeoff between a higher salary and a job title. In fact, some have argued that some firms offer titles in absence of raises when salary budgets are slim.

Job Title Inflation?

When thinking about job titles as a way to save on compensation costs, it doesn’t take long to consider job title inflation. Just like with grade inflation (where the “B” has become

the new “C”), has “director” become the new “senior manager?” Senior vice president the new vice president? Or, as Dwight Schrute on the TV show “The Office” wanted, has the “assistant regional manager” become the new “assistant to the regional manager?” And, importantly, what are the bottom-line gains and losses from this kind of inflation?

Equity Theory

Going back 30 years, Jerald Greenberg and Suzyn Ornstein showed through experimental (laboratory) research that a title can compensate for lower pay (maintaining equity). But, the higher title has to be earned. In their paper, “High Status Job Title as Compensation for Underpayment,” published in *Journal of Applied Psychology*, 1983, 68(2), 285-297, Greenberg and Ornstein ran experiments where subjects were given proofreading tasks. The subjects were given a high-status job title that was either earned (based on good performance) or bestowed (for no apparent reason). Titles proved to be adequate compensation for additional effort required to keep those who earned their title feeling equitably paid and to keep up performance. Among those with bestowed titles, performance improved and was accompanied by feelings of overpayment at first, but quickly led to feelings of underpayment and a large drop in performance.

This suggests that doling out titles to those who haven’t earned them may have negative and unintended consequences beyond just ratcheting effects and loss of uniqueness of the titles themselves.

Academics and Titles

I should note that it isn’t lost on me that I am writing about title inflation and pasted on this column are four of my own titles. I’ll mention one of them here and what it means in terms of my own compensation. Academics start their careers as assistant professors (without tenure). After about six years, a decision is made about whether to give them tenure or fire them. If they earn tenure, they also are promoted to associate professor. Later, a final promotion is possible to professor (sometimes called full professor). After that, some earn an endowed, named professorship.


My professorship is named after Joseph R. Rich, Cornell Class of 1980. It is a remarkable honor to hold such a position and it comes with certain benefits, such as the title itself, a research assistant, a teaching reduction and considerable research funds. This particular named position is especially important to me because I knew Joe before he

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sadly passed away, and I know his family well. You could imagine that one would be willing to trade off salary for any one of those benefits. But, typically, named professorships come with all of the above and no such tradeoffs are necessary; good news to the recipients of such positions.

More Research Needed

Although the anecdotal evidence makes title inflation appear real, I haven’t found much research on the ever-expanding inflation in titles. In one recent paper, Arthur Martinez, Mary Laird, John Martin and Gerald Ferris noted “the growing tendency for organizations to inflate job titles” and present a useful framework to help motivate new theoretical and empirical research (“Job Title Inflation,” *Human Resource Management Review*, 18, 2008, 19-27). Martinez, et al., acknowledge that titles can provide real information and increasing titles is legitimate when jobs become more complex in scope or demanding in responsibility. However, job title inflation can present “deceptions (e.g., subtle misrepresentations) to flouts (e.g., sarcastic misrepresentations)” with the inflation ranging from covert or overt. The authors suggest several ways that title inflation could create value for the organization — employees improving their productivity by rising to the level of the inflated title, customers assuming employees are higher quality because of a more prestigious title, or lowering compensation costs by trading pay for title — and propose that “covert forms [of title inflation] ... generally lead to more valuable outcomes than overt forms.” They concluded that empirical research on job title inflation “is so sorely needed.” Indeed.

If you hold an interesting title or know of some clever or unusual ones, please email me: ics-ilr@cornell.edu. 



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