It enhances trust. If employees know that you tell the truth, they will trust your words and actions more.
You don’t have to remember whom you told what to. Mark Twain came up with this one: If you tell the truth, you don’t have to remember. It makes your life so much simpler.
It enhances ownership. Employees who know that you are honest will acquire a sense of connection, and one of the results of this connection is ownership. They will be more creative and take more initiatives.
It brings forth shared responsibility. This is another outcome of the connection that honesty draws out. Co-workers will sense the manager’s openness, obtain a greater sense of meaning, and dare to step up and claim more responsibility.
It elicits a sense of respect. Being honest to your employees also generates within them a feeling of being respected. In return, they will give you their enhanced respect as well.
It creates and enhances team spirit. Yet another result of the connection that honesty brings about. Team spirit can elevate the performance of your organisation by multiple degrees compared to competitors that lack this quality.
It engenders a healthier atmosphere. Honesty is contagious. Even people who initially didn’t mind telling a lie or two will start feeling compelled to tell the truth if such is the nature of the environment you create.
It acknowledges a sense of wholesomeness among colleagues. Honesty provides workers with a sense of being seen as equal, worthy and appreciated human beings instead of mere tools to get the job done.
It radiates the message of fairness like nothing else. If employees know that you are honest regardless of the circumstances and their level in the organisation, they will get encouraged to practice fairness as well.
It provides you with peace of mind and a sense of dignity. If you know that your integrity is in tact, you will feel more serene inside. This will positively affect other environments in which you move, so you will lead a more rewarding life in general.

Endnote: Just realise that being honest can be practised in various ways. Tact and sensitivity are crucial additives in making honesty an asset instead of a liability.