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Wake Up and Smell the Disruption: It's Time for a New Pay Communication Strategy



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As the "Great Resignation" continues and we watch millions of employees at all levels voluntarily quit their current jobs in search of better pay, better culture, and yes, better leaders, there has never been a more critical time for boards and management teams to up their game when it comes to compensation communication.

For the first time in a decade, according to a January 2022 report by Gallup, employee engagement levels in the US are on the decline. There are a multitude of reasons, but interestingly, the greatest declines are related to clarity of expectations. The research found that employees feel less confident in knowing what's expected of them and are doubting that they can do their jobs to their best ability. And managers are showing even greater levels of disengagement with steep declines in feeling that they have clear expectations and someone who encourages their development.

So, what does that have to do with compensation? I believe there's a domino effect that cannot be ignored. While the Gallup research doesn't touch specifically on pay issues, it's no secret that compensation has long been a key driver of employee engagement and goes hand-in-hand with culture. When those responsible for having pay conversations (managers) are unclear about their role and don't feel sufficiently prepared or supported—on top of being disengaged and burned out themselves?there is a very good chance that compensation discussions will be awkward, uncomfortable, and counterproductive.

Making it more challenging is that pay conversations have historically been far and few between, sometimes annual at best. This gap, under normal circumstances, makes it easy for people to ruminate their own pay over long periods of time, questioning fairness and value. But in arguably one of the hottest job markets in years, it has become virtually impossible for anyone to ignore the tsunami of information that can be found about pay and try to use some of it to validate one's own point of view and decide if it's time to start making waves…or moves. Here are just some of the sources to which people are turning:

- Social media influencers: And I'm not just talking about LinkedIn. Finding information (both good and bad) about pay is as easy as using the right hashtag. With just a few

search terms on TikTok, you can spend hours scrolling through content posted by self-proclaimed—and sometimes actual—experts in the compensation, recruiting, and human resources space who are more than happy to share their advice on what questions to ask about compensation when starting a new job, getting a promotion, or at bonus time. Influencers are not short on suggestions on how to do research about “knowing your worth” and using data as leverage when you know your salary and/or incentive compensation is not as competitive as it should be.

- Pay equity pundits: It is impossible to turn on the TV or read a newspaper without hearing or reading a headline on pay equity. Key messages are centered around how people should feel empowered to advocate for themselves and make sure they are being paid fairly. People are being encouraged to talk openly about compensation and not to be afraid to ask friends and colleagues (current and former) how much money they make from base salaries, annual bonuses, and equity awards.
- Public compensation disclosures: Savvy employees know that they can get detailed information about how much top executives earn from a company’s proxy statement, including the CEO pay ratio, which shows how much the CEO earns as compared to the median employee at that company. This can give people some valuable fodder for their own pay conversations, especially if those at the top of the house are receiving pay adjustments, maximum bonus payouts, and retention awards.
- Career websites: People are turning to websites like Glassdoor, Indeed, Vault, CareerBuilder and Monster (among others) to do their own pay benchmarking research, as well as read reviews about specific companies and get insights into the employee experience, including the quality and credibility of leadership, culture and, of course, pay.

These elements are contributing to new levels of employee confidence and comfort in talking about pay and are also causing meaningful workplace disruption?employees are taking time away from work to answer calls from recruiters, lament to their colleagues, update their resumes, do online job and salary searches, and of course, go on interviews. People are also sharing details and comparing notes with their colleagues to see if they are getting the same messages about pay from their managers.

Whether employees are looking for base salary raises, above-target bonus payouts, or equity stakes in the business, employers must be prepared on all fronts and year-round to address specific and sometimes tough questions about pay. For example, how are the messages about bonus differentiation when managing a bonus pool to a zero-sum game delivered? How do you talk to valuable employees who have highly competitive salaries, but haven’t received increases for several years because they are already at the top of their range? Aren’t they also impacted by inflation and want to know how the company is accounting for it? What happens when employees want to know why their colleagues received equity awards and they didn’t? Why are new hires being offered higher salaries than tenured employees (for similar positions)?

Maybe a decade ago having generic talking points to help managers answer high-level compensation questions during an annual pay discussion was a relatively good solution to help mitigate the risks of unwanted turnover and low morale. But in 2022, *that’s just not good enough*. Without a constant, disciplined, and thoughtfully planned approach to

keeping employees educated about, engaged in, and appreciative of how decisions about compensation are made, your leadership risks their credibility and your company risks losing some really good people.

About the Author

Sharon brings 25+ years guiding executive and broad-based pay communications and disclosure, helping boards and management manage change and respond to investor and proxy advisor scrutiny.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.