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HR's Guide to Managing Pay Transparency

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Two of Pearl Meyer's experts on broad-based employee pay, Managing Director Jim Hudner and Principal Monal Patel, were recently interviewed about pay transparency.

Q: For those without formal strategies, what are key pay transparency best practices that total rewards pros should know?

Jim: In short, best practices include posting pay ranges for a given position that are aligned with the organization's compensation philosophy, which in turn is supported by clear and thoughtful communication to managers and employees regarding how pay ranges are defined and how pay is managed on an ongoing basis. Pay ranges should be based on a comprehensive analysis of market pay, as well as consideration of the relative internal value each position has within the organization. Finally, total rewards professionals will need to determine exactly what is posted for open positions (e.g., the entire pay range [minimum to maximum], minimum to pay range midpoint, market 25th to 75th percentiles, or other).

Q: What is holding companies back from implementing pay transparency, and how can total rewards pros address these challenges?

Jim: Deficiencies in any of the foundational elements of a base salary compensation program can be an impediment to an organization's desire to implement pay transparency. These foundational elements include:

1. A clearly defined compensation philosophy, which should articulate competitive labor markets and targeted positioning;
2. Clarity on the roles performed in an organization's various jobs, often achieved with the development of a job architecture;
3. A robust process and up-to-date dataset needed to conduct a sound benchmarking of competitive market pay levels;
4. Salary ranges that reflect the desired balance of market pay levels and the internal value of the company's positions; and
5. A clearly defined and implemented communications and training plan that successfully educates managers and employees regarding the organization's approach to managing compensation.

Another overarching reason some companies might hold back on implementing pay transparency may be a history and culture of communicating very little about compensation. In these cases, absent a legislative requirement, shifting the culture will need visible leadership support.

Q: What are good action steps for these pros to take to begin implementing pay transparency?

Jim: Prior to implementing pay transparency actions, organizations should ensure that critical prerequisites are in place—which includes a clearly defined compensation philosophy; clarity on the company's jobs; up-to-date and sound benchmarking of market pay levels; pay ranges that align with market; and a robust communications, education, and implementation strategy. With these critical pieces in place, total rewards

professionals should closely examine the company's pay policies and procedures to ensure they are clearly defined and are summarized in understandable terms for managers and employees. Since employees will be able to see pay ranges on all job postings, they may have questions about how and why they are paid the way they are. It would be advisable to also conduct a pay equity analysis to identify any possible anomalies in employee salaries and to address them.

Q: How can total rewards pros prep managers to handle employee questions about pay?

Monal: Total rewards professionals can begin by conducting a "Compensation 101" session or the equivalent on the company's compensation system so that managers have a full understanding of the philosophy and process. From there, it would be best to create communications materials for managers such as FAQs and talking points. The communication material should answer employee questions but also address non-compensation topics such as opportunities for career progression, training, and development. It is really important that HR conveys a clear and consistent message for all employees.

Q: What resources can managers tap to effectively talk about pay with employees?

Monal: Many organizations will have FAQs, talking points, and/or other content to assist managers with ensuring clarity in advance of discussions with employees. Some organizations will utilize a manager portal that includes additional reference material. If managers are faced with challenging employee discussions, they should reach out to their managers and HR for guidance. It's important they convey a consistent message to all of their direct reports.

Q: What are specific dos and don'ts for managers when discussing pay with employees?

Monal: First, it is critical to be prepared—including reviewing resources and guidance provided to them, and preparing for the more challenging questions employees may have. Be positive, confident, and honest when discussing pay with employees. Remind employees about the benefits of working for the company and opportunities for advancement or movement. Don't come unprepared to a discussion. Don't blame HR or be evasive. If an issue arises that a manager is not prepared for, don't speculate as to the answer, just defer the issue until the manager is able to seek guidance.

About the Authors

Jim has 30+ years advising on total compensation strategy, including base pay, incentives, and performance management, with deep experience designing and communicating broad-based programs.

Monal specializes in broad-based pay benchmarking and global job architecture design, helping clients align market data, career progression, and salary programs through modeling and implementation support.

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