

Pay Transparency Measures



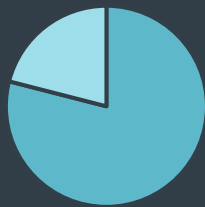
What you need to know...

Research suggests pay transparency has overall positive outcomes on employers, workers, and the community.

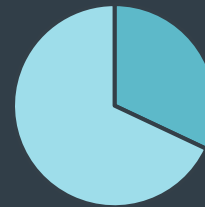
Pay transparency is a broad term that describes the level of openness about wages, salaries, and compensation of employees or job openings. It ranges along a continuum from open pay, where employee names and pay levels are publicly available, to total secrecy, with many options in between.

Pay transparency is impacted by a variety of factors—legal mandates, explicit employer policies, and informal norms about the disclosure of compensation information. Currently, social and cultural influences are shifting attitudes about pay confidentiality, and the general desire for pay transparency is high.

Among full-time U.S. based workers:¹



79% favor **some** pay transparency



32% favor **total** pay transparency

68% of workers **would switch employers** for increased pay transparency, even if total compensation remained the same

Advocating for Transparency

- ✓ Bring the data—evidence from numerous studies suggests that pay transparency has an overall *positive impact* on workers, employers, and the community.
- ✓ Implementing a clear compensation process alongside transparency measures is critical to success.
- ✓ Pay transparency is about *equity* not *equality*. Connecting compensation to performance mitigates the negative impacts of pay differentials within an organization.

¹Visier. (April 19, 2022). New Visier report reveals 79% of employees want pay transparency. Retrieved: <https://www.visier.com/press-release/visier-report-pay-transparency>

Impact of Increased Pay Transparency On...

Business & Workforce

- Corresponds with overall increase in worker productivity, job satisfaction, trust in management, and perceived fairness.
- Organizations see higher performance when employees understand why pay differences exist.
- Can reduce turnover. Workers stay longer in higher paying jobs but are more likely to leave when another opportunity pays more or they are underpaid relative to peers.

Compensation System

- Encourages observable metrics to determine pay.
- Managers must articulate precisely how and for what workers are compensated and are more likely to address wage inequities.
- Two Common Scenarios:
 - Salary compression, when outcome of transparency is rewarding employees equally.
 - Development of new compensation systems that clarify how salaries are allocated and how performance compares to others.

Organizational Climate

- Reduces uncertainty about pay fairness and fosters increased pay satisfaction within the organization.
- Mixed findings regarding employee jealousy and dissatisfaction for low-wage employees.
- Some employees prefer pay confidentiality. This is especially true for low-wage employees or if employees are concerned their wage would reveal large pay gaps.

Gender Wage Gap

- Pay transparency policies foster a modest narrowing of the gender wage gap.
- Demonstrable increase in female wages along with slower growth of male wages (not a reduction in male wages).
- Gains are highest for newly hired and college-educated women.
- Gender differences in pay growth disappear when pay transparency is introduced.

Pay Transparency Continuum: A Framework²

	TRANSPARENCY			
	NONE	LOW	MEDIUM	HIGH
PAY PROCESSES	No information on how pay is determined	General overview of pay principles	Substantive description of how pay is determined	Training for managers and employees in fundamentals of the pay system
PAY GRADES/RANGES	No disclosure	Pay grades/ranges provided to employees and applicants	Grades/ranges provided for the employee's job family and career path	Grades/ranges provided for all jobs in the company
INDIVIDUAL EMPLOYEE PAY	No disclosure of employee wages/salaries to anyone else	Annual total compensation statement	Provides salaries of coworkers in the same job classification	Salaries of all employees in the company

² Heisler, W. (2021). Increasing pay transparency: A guide for change. *Business Horizons*, 64 73-81.