

Employees Are Demanding Pay Transparency. Here's How HR Should Respond

HR Executive | Tom Starner | October 24, 2022

While pay transparency laws are not yet widespread nationwide (a small handful of states and locales including New York City, so far, have laws related to pay transparency either on the books or soon to go into effect), some experts believe the issue will become a stronger force in the months and years ahead—especially if evolving employee expectations are taken into account. And HR needs to start getting ready now.

For instance, a recent survey by Talent.com of 2,000 employees found that 98% of job seekers in New York City want to know a position's salary before they apply. Research out this week from Monster found the same exact percentage agreed employers should disclose salary ranges in job postings. What's more, 53% said they wouldn't apply for a job without pay transparency upfront.

With demand like that—and in a hiring climate like today's—employers ignore the push for pay transparency at their own peril, experts say.

But for now, employers are lagging behind in states or localities where pay transparency is codified. The new pay transparency law in New York City, for instance, is coming into effect Nov. 1, yet according to Talent.com's survey, only 12% of job postings in the greater New York City region currently disclose pay on the Talent.com platform. And in California, whose new pay transparency law goes into effect Jan. 1, that number is a mere 13%.

Paaras Parker, CHRO at Paycor, a global human capital management provider, says no matter where they operate, employers should be ready to discuss pay transparency matters with their current and prospective workforce. Apart from being motivated by widespread support among employees and candidates, enhancing transparency around pay is simply nowhere near as daunting as it may seem on paper, Parker says.

"If you're feeling anxious about a new world where everyone knows who gets paid what, that's understandable," she says. "But I'm here to say, talking pay is not so hard. In fact, it's one of the easier conversations to have."

It's one of the more straightforward issues in the overall recruiting and retention puzzle, Parker says, noting the vastly more complex conversation actually is: Why do talented people want to work for your company in the first place? She notes that in a recent survey of nearly 6,000 professionals, Paycor found that company culture is the No. 1 retention driver; however, that doesn't negate the importance of pay transparency, which could be a way for employers to communicate their culture.

"Company culture means a lot of things, but a key component of a healthy culture is the simple, powerful feeling people have when they show up for work: 'I'm here because I want to be here, I believe in what we do and my team needs me here,'" she says.

Considering the context

According to Ronni Zehavi, CEO at HiBob, an HR/people management platform, ready or not, pay transparency is an unstoppable trend. And it's up to HR to prepare the company.

"If line managers are going to be expected to communicate about the pay processes and outcomes to their staff, what support does HR need to provide to them?" he says. If employers are going to use technology to aid transparency, they need to work out issues like who is expected to use it, how accessible it will be and the training required.

"Successfully navigating pay transparency laws involves more than simply posting salaries on job listings—though that can go a long way to instilling trust in candidates who will perceive your employer brand as transparent, confident and objective," Zehavi says.

HR professionals also need to consider the current labor market, the perception that listed salaries give job applicants and the potential impact on current employees, says Zehavi. Jobs that rely heavily on non-salary compensation, for example, should emphasize other benefits of working for the company. "This way, applicants do not automatically dismiss the opportunity because of perceived low compensation," he notes.

Zehavi says that, while pay transparency is an effort to resolve long-standing issues of pay inequity, among other challenges, it is just one piece of that puzzle. On its own, it can't guarantee a good workplace for employees or a thriving business for employers.

"Competition for talent remains fierce, so being able to differentiate on culture—as well as matters that directly impact employee experience—is key," he says. "HR leaders need to think about [pay transparency] legislation in the context of the workplace experience as a whole.

"Employers who embrace transparency in this way will boost engagement and retention, while competing more effectively for highly skilled people," Zehavi adds.

Steps to start taking now

Paycor's Parker offers a few tips for HR leaders and employers to prepare for open discussions with employees about pay and pay transparency.

First, start at the top by educating the C-suite. To avoid confusion down the ranks, ensure that executives know the results of timely market research HR or, ideally, an unbiased third party conducted, along with what competitors are doing, the current supply and demand for key roles, etc. Don't roll out a companywide plan until leaders can convincingly explain and defend your company's pay philosophy in their own words, Parker says.

Also, be prepared to explain your company's strategic approach to compensation.

"Some employees think they can find all they need to know about fair pay on the World Wide Web—they can't," she says, noting that internet research can offer a general sense of what a particular job pays, but it won't tell candidates or employees why your company at this moment is paying X for Y. "This is where HR pros beat Google," Parker notes.

By explaining the company's pay philosophy, she explains, HR can assure folks that the organization is being intentional about compensation. The company isn't saying one department

is “less important” than other, she says, “you’re just saying that, for your company to succeed in the long run, you must focus your limited resources.”

Finally, Parker believes HR should “zoom out” to total rewards to put pay in perspective.

“An employee’s salary is just one component of total compensation,” she explains. “When HR leaders talk narrowly about salary, most people think of the paycheck they get every two weeks with all the deductions taken out. They forget how much their company invests in them—from health and wellness benefits to training, learning, PTO and more.”

Even without pay transparency legislation on the immediate horizon, employers would be smart to consider getting ahead of the curve, HiBob’s Zehavi concludes

“A tight labor market paired with additional transparency means employers need to rethink their approach and adapt to the market,” he says.