

How Third Sector transformed employee compensation satisfaction by 26%



Company

Third Sector

Industry

Nonprofit Professional Services

Employees

55

Location

Remote US Workforce



Payscale Info

Payfactors Professional

Comp Expertise

Peer Data

Overview

Third Sector Capital Partners, a nationally operating nonprofit, is a technical assistance organization that advises government agencies on effective ways to reshape their policies, systems, and services toward better outcomes for all people. While rooted in a mission of equity, the organization faced internal challenges that undermined this very value, particularly around compensation. A nonprofit operating with a consultancy infrastructure, it struggled to design a pay structure that matched their agile, remote-first workforce. By partnering with Payscale, Third Sector was able to align its compensation philosophy and practices with its mission. This resulted in a pay structure that was fair and competitive and improved compensation satisfaction ratings, which were significant milestones in its fair pay journey.

Results

Through the partnership with Payscale, Third Sector saw significant improvements in employee satisfaction as it relates to compensation:



26% increase in compensation satisfaction – rising from 57% to 83% after rolling out a new pay structure and philosophy.



24-hour turnaround on salary benchmarks for hiring and promotions using Payfactors.



Freed HR from spreadsheets, unlocking time for high-impact, strategic initiatives.



Elevated pay equity with a structured, skills and experienced based approach to compensation decisions.

Situation and challenges

When Susannah Peterson joined Third Sector as HR Director, it became clear that the organization's legacy compensation system was focused more on long term tenure rather than employee collaboration and contribution. Built by an external consultant, the model was overly complex and based entirely on Boston market data despite being a remote company with employees located across the country. It wasn't just outdated; it was inequitable and not aligned with the company's mission. The overall system did not acknowledge employee initiative, experience, or organizational values, leading to a demotivating compensational structure that did not align with organizational priorities: results, relationships, racial equity, respect and reflection.

Recognizing the urgency to rebuild both the compensation framework and organizational priorities, Mrs. Peterson led a rigorous search for a solution. Through a competitive RFP process, the organization selected Payscale, a partner known for its hands-on approach and strong focus on equity.

With Payscale's support, the organization began a full-scale transformation of its compensation program. The goal wasn't just to implement new salary bands, but to create a salary model that aligns with the culture of Third Sector.

The outdated structure was replaced with a dynamic, market-aligned model that reflected real-time Payscale Peer data. Third Sector also moved away from tenure pay increases in favor of a merit-based structure that rewarded contribution and growth. Employees were given clear, accessible resources to understand how their salaries were determined based on location, skills and experiences. This process brought clarity where there had once been confusion.

Communication was central to the rollout. With guidance from Payscale's Comp Expertise team, leadership engaged staff through structured, honest conversations about the changes. These Manager Training sessions were critical to winning buy-in and, more importantly, to rebuild trust.

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“We moved from an automatic increase and promotion process to a merit-based process, which, as a non-profit, caused some discomfort amongst our team members. To achieve that change in a way we felt comfortable communicating with employees, we worked with Payscale on benchmarking our positions and updating our salary structure to align with this shift. Payscale also conducted a presentation for our people leaders on how and why the changes were taking place. Those were huge milestones for the organization because it eased the transition into this new infrastructure to where we make pay decisions based on experience and performance instead of these regimented steps based on tenure.”

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Susannah Peterson

Director of Human Resources

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“Payscale truly provides a solution for every type of company. Whether it’s the services, the data, or the software, Payscale has an avenue to support you. I feel like Payscale is my compensation team so I can do this work sustainably. If I wasn’t partnering with Payscale, there is no way that I would have been able to accomplish this compensation program overhaul, even with our previous consultant vendor.”

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Susannah Peterson

Director of Human Resources

Outcomes and impact

The results of leveraging Payfactors and partnering with Payscale’s Comp Expertise team were clear and quick for Mrs. Peterson and the compensation program at Third Sector. HR no longer had to manage dozens of disconnected spreadsheets, freeing time for strategic initiatives. Hiring and promotion decisions became more equitable thanks to having access to streamlined benchmarks and transparent market data.

The roll-out of the new pay structure paired with training for people leaders also had a cultural impact. Pay disparities were significantly reduced, and the process of maintaining equity became more ongoing and proactive.

This experience reaffirmed a core truth: compensation isn’t just about the numbers—it’s about having confidence in how pay is determined. When employees trust how their pay is set, they feel more valued, more engaged, and more secure in their roles. Third Sector saw this in action when it conducted its most recent engagement survey and employee satisfaction with compensation jumped from 57% to 83% after the new system was introduced.

For Mrs. Peterson, simplicity proved essential. The previous outdated model’s complexity had been a barrier for equitable and sustainable pay. In contrast, the new framework emphasized flexibility, making it easier for HR to incorporate skills and experiences when determining compensation decisions.

Payscale’s tailored approach also highlighted the value of choosing a partner who can adapt to organizational needs, rather than imposing a one-size-fits-all solution. And by educating employees on the “why” behind pay decisions, Third Sector fostered a culture of transparency that continues to pay dividends in morale and retention.

Looking forward

With a strong foundation now in place that could support remote work and the variety of talent represented in its workforce, Third Sector is refining its benchmarks to stay ahead of market shifts, continuing to close any remaining pay equity gaps, and investing in better data access for HR and leadership. The work of building confidence is ongoing, but with the right tools and a trusted partner, it’s better equipped than ever.



Third Sector's transformation shows what's possible when compensation strategy is aligned with organizational values. By partnering with Payscale, and prioritizing transparency, fairness, and flexibility, the organization didn't just fix a broken system. It rebuilt employee trust and created a compensation philosophy that reflects its commitment to employee equity and its values.



Take the tour, start the transformation

Our suite of products has equipped thousands of companies to transform their compensation strategies. In the process, Payscale products have saved our customers thousands of hours annually while empowering their teams to hire and retain the best talent.

[Learn more about Payfactors](#)

About Payscale

Payscale is the original compensation innovator for organizations who want to scale their business with pay and transform their largest investment into their greatest advantage. With decades of innovation in sourcing reputable data and developing AI-powered tools, Payscale delivers actionable insights that turn pay from a cost to a catalyst. Its suite of solutions — Payfactors, Marketpay, and Paycycle — empower 65% of the top companies in the U.S. and businesses like Panasonic, ZoomInfo, Chipotle, AccentCare, University of Washington, American Airlines, and TJX Companies.

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