



Compensation management perspectives

# Lessons in pay transparency from the public sector

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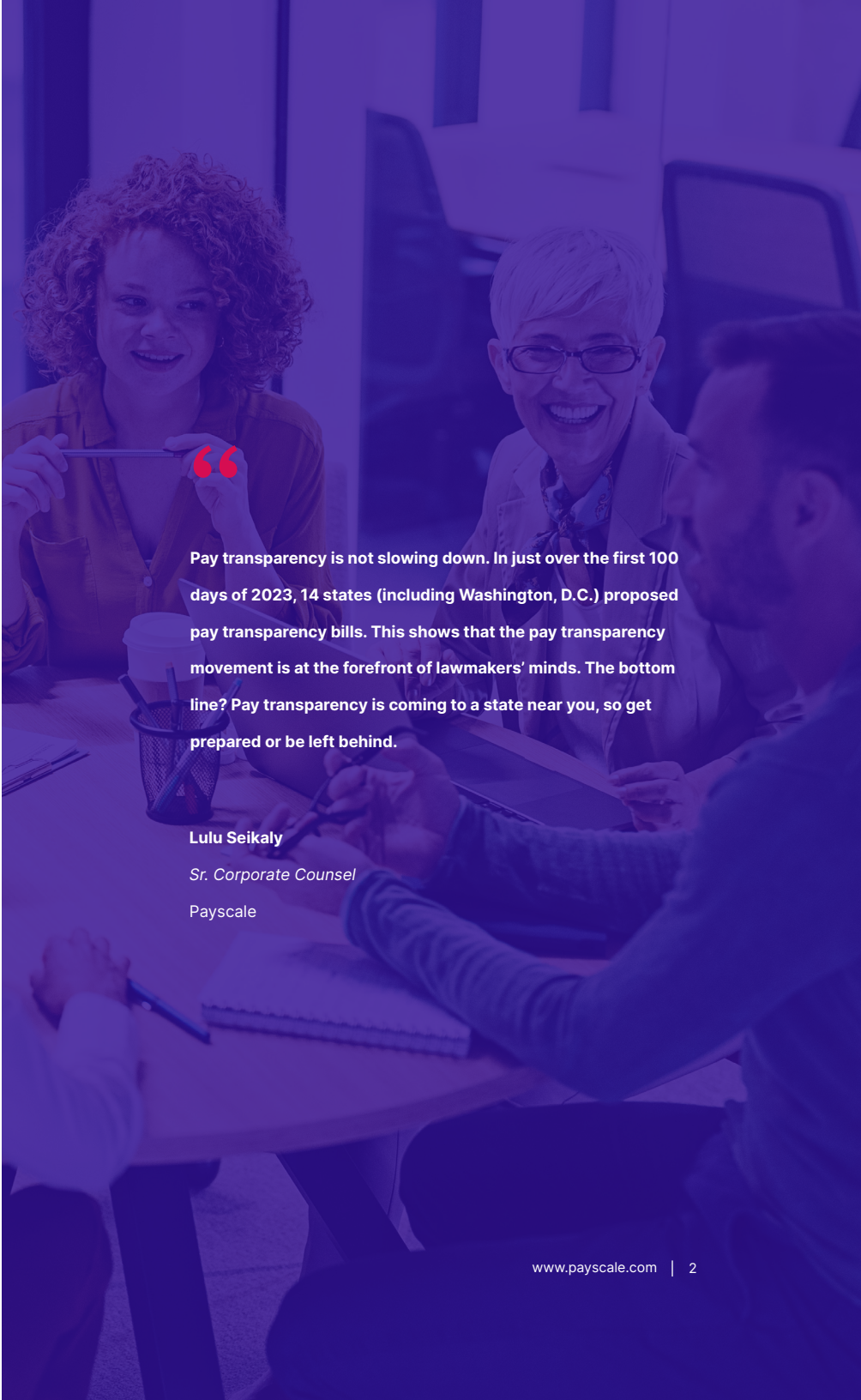
Navigating compensation when pay is public

## Transparency transcends sectors

Public sector HR departments have a long list of legal and regulatory employment-related requirements they must follow. These include everything from civil service rules to collective bargaining agreements and government procurement rules. And, while pay transparency is new for most private organizations, many public sector HR professionals have been dealing with transparent pay for decades. There are official and unofficial databases available where employees, candidates, and curious community members can search federal, state, and school district pay rates, to name a few. Suffice it to say, pay information for the public sector is already readily available.

This level of pay scrutiny is no longer reserved just for the public sector. Recent and proposed legislation has made it necessary for organizations around the globe to get public about their pay. While this legislation is currently driven primarily by local and state governments, its effects are far-reaching. To get the most out of pay transparency, organizations need to combine best practices for compensation strategy, pay equity, and pay communications to ensure employees feel valued and create clear incentives for them to remain with the organization.

In this expert brief, we will explore the pay transparency lessons the private sector can learn from their peers in the public sector.



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Pay transparency is not slowing down. In just over the first 100 days of 2023, 14 states (including Washington, D.C.) proposed pay transparency bills. This shows that the pay transparency movement is at the forefront of lawmakers' minds. The bottom line? Pay transparency is coming to a state near you, so get prepared or be left behind.

Lulu Seikaly  
Sr. Corporate Counsel  
Payscale



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**Our compensation philosophy is to offer externally competitive pay in both the public and private sectors that's internally equitable and delivered within a sustainable financial model. We believe we're doing the right thing for the right reasons. It's about what we're doing not just in terms of pay, but also the culture we're building and the total rewards we offer.**

**Steve Engemoen**

*Sr Compensation Analyst*

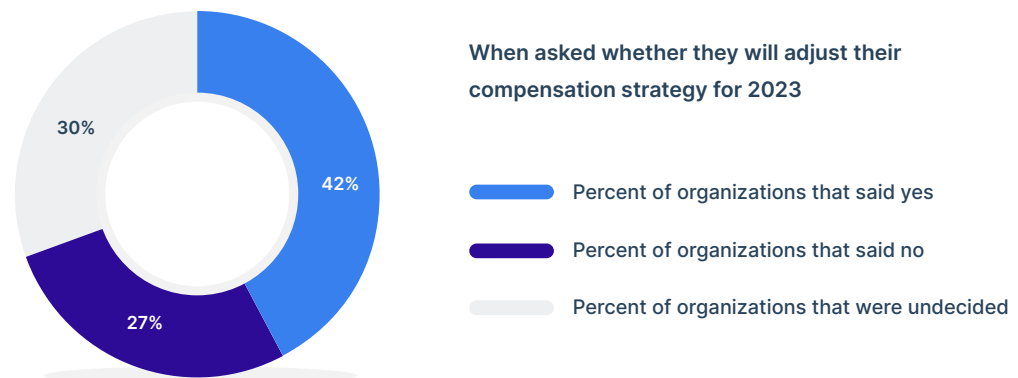
City of Fort Collins

## Embedding transparency in comp philosophy

At the most basic level, a compensation philosophy serves as a compass for how an organization manages compensation. It should also tie compensation to the mission, values, and guiding principles of the organization. Public sector HR pros have found it easier to navigate pay transparency when a compensation philosophy is in place and serves as a foundation upon which strategies are established and decisions made.

With this in mind, private sector organizations that have a compensation philosophy will be better equipped to build and implement comp strategies that enable them to comply with pay transparency regulations. From the initial job management process to defined pay structures and clarity about career pathing, this foundation enables the right mix of people, processes, technology, and data to support strategic pay programs. These are the same programs that will make conducting a pay equity analysis possible, which is a key final step before complying with pay transparency laws.

Many organizations are finding it necessary to pivot on compensation strategy due to challenges like labor shortages and pay transparency legislation, according to Payscale's 14th Annual Compensation Best Practices Report. Many organizations (42 percent) said they would be adjusting their comp strategy in 2023.



Source: Payscale 2023 Compensation Best Practices Report

## Importance of market data

As pay transparency legislation continues to evolve, public and private sector employers must be confident that their pay strategies enable them to compete for talent. Market data is an essential tool for helping organizations understand the competitive landscape for their industry and market. With salary data, employers can establish reasonable job ranges and assess what an employee should be paid relative to other people in the same location with the same job or similar responsibilities. This data is also an essential tool when evaluating internal pay equity, which is closely connected to pay transparency initiatives.

Organizations using Payscale's [compensation software](#) have access to extensive data and analytics about their workforces. These organizations can see exactly how their salaries match up with market pay ranges, and they can then adjust salaries of overpaid or underpaid employees and run executive reports.

Market pricing is essential in making sure pay is equitable and fair. Organizations need to know what competitors are paying talent — both for making salary offers to job candidates and for benchmarking current jobs for pay equity analysis. When data is part of an organization's comp strategy, they can flex to the current labor market, assess long-term pay strategies, and build total rewards packages that help them attract and retain talent.

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Peer data helps our ever-changing world stay up to date. It allows us to look on the horizon and anticipate jobs that our business may need to implement in the future. The labor market for this year has changed so quickly, and Peer has been a great resource to help us keep up. Plus, Peer data is able to update faster than traditional yearly surveys. I would highly recommend using Peer to any compensation professional.

**Marnie Williams**

*Senior Compensation Analyst*

Denver Public Schools

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**Pay transparency makes our employees feel more comfortable having conversations about pay with their managers. It also opens the door for managers to talk openly about performance and other related topics.**

**Steven Herlihy**

*Compensation Assistant*

*City of Fort Collins*

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**With increased pay transparency legislation, it's time for employers to re-evaluate their compensation structures. This includes being creative with their benefits structure in order to compete for talent. Implementing pay differentials, monthly stipends, and increasing the use of teleworking opportunities will help increase candidate interest and the ability to fill difficult recruitments.**

**Blair Eversley, MBA, SPHR, SHRM-SCP**

*Public sector HR professional*

## Importance of communicating about total rewards

Communicating about pay and total rewards becomes even more important as pay transparency legislation is becoming more and more common. Employees and candidates have more salary information available to them than ever before. Public sector organizations know all too well that pay transparency can create tension. Employees may become dissatisfied when comparing their salary to a colleague's salary. Candidates may choose to work elsewhere when they find out a salary is lower than what they've seen in job ads from other organizations. And, in the most unfortunate cases, pay transparency may reveal instances of compression and negatively impact morale, which in turn will lead to higher rates of attrition.

Savvy comp leaders in the public sector have addressed these issues by embracing open communication about compensation and total rewards. Due to transparency and communication, employees in the public sector are likely much more familiar with their organization's job architecture and classifications in salary bands. It is also a best practice to highlight additional benefits public sector employers provide — on-site healthcare providers, remote work opportunities, a thriving organizational culture — that differentiate them from others.

Communicating openly about total rewards serves everyone in the organization. For employees, work becomes more than a paycheck or a pay grade. For employers, it's about maximizing the impact of their compensation management efforts. Most importantly, when organizations transparently communicate about pay, it's possible to build trust.

## Approaching pay transparency with confidence

At Payscale, our goal is to help organizations approach pay transparency with confidence. Whether you're just starting out on the path to pay transparency or you've been working to build transparent pay practices for a while, we want to help you establish a fair pay pathway that is unique to your organization and scalable to meet your changing needs.

Recent pay transparency legislation is forcing organizations to swiftly and fundamentally change how they approach pay. The Pay Transparency Solution by Payscale can not only help you get pay right but give you the added confidence you need when sharing pay information internally and externally.

Learn more about Payscale's  
Pay Transparency solution

Learn more here



## About Payscale

As the industry leader in compensation management, Payscale is on a mission to help job seekers, employees, and businesses get pay right and to make sustainable fair pay a reality. Empowering more than 50% of the Fortune 500 in 198 countries, Payscale provides a combination of diverse and dynamic data sources, experienced compensation services, and scalable software to enable organizations such as Angel City Football Club, Target, Gainsight, and eBay to make fair and appropriate pay decisions.

Pay is powerful™

To learn more, visit [payscale.com](https://payscale.com)

