

Let's talk fair pay

Your fair pay handbook

Talking about pay is still taboo for many. Employees are not confident in how to approach their employer, and many employers are not prepared to have pay conversations, so they are often discouraged. But pay conversations are a vital driving force in creating fair pay for everyone, hence the importance of committing to talk about fair pay.

At Payscale, we aim to spark real conversation around pay by providing employers and employees the tools and best practices to understand how to have an informed conversation together around pay. If we all talk about pay more openly in a more informed manner, we increase transparency, reduce bias, and ensure fair pay and ultimately help to close pay gaps.

This handbook will give you the steps and tools to help you establish clear pay strategies and structures, guide you on how to have effective pay conversations, and provide you with powerful data to support pay transparency and fair pay initiatives so that you can take action and work toward achieving fair pay within your organization.



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The journey to fair pay



In order to have open pay discussions, you must first have clear pay strategies and structures in place. Our Journey to Fair Pay Brochure will walk you through multiple stages in an organization's journey to fair pay, enabling you to work across the fair pay spectrum to build transparent and consistent pay practices and ultimately work toward a sustainable approach to fair pay. Discover where you are on the journey and learn how Payscale can assist you at any stage.

The journey to fair pay

Make sustainable fair pay a reality by committing to build transparent and consistent pay practices.

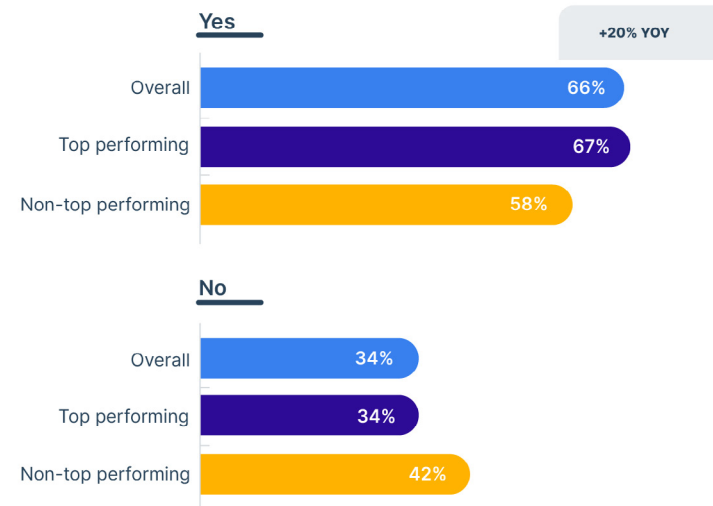
Is your organization looking to increase transparency, reduce bias, and ensure fair pay? With the drive for greater workplace equity, the issue of pay fairness has become a critical part of all conversations around pay. [Payscale's research supports the growing importance of pay fairness](#) and found that when employees don't feel they are paid fairly, they are more likely to leave.

Organizations are increasingly recognizing the strategic advantage a proactive stance on pay equity can deliver and are facing greater scrutiny about what they're doing for pay fairness. According to [Payscale's 2022 Compensation Best Practices Report](#), **66 percent** of organizations also said that pay equity analysis is a planned initiative in 2022 – an increase of **20 percent** from the previous year.

But without a formal pay structure or data-backed compensation rationale in place, this question can be difficult to answer. The reality is that to achieve pay equity you need to first build transparent and consistent pay practices. Our Compensation Best Practices Report revealed that only **61 percent** of organizations have pay ranges or grades for their job positions.

Even if a pay equity analysis isn't a goal currently for your organization, implementing fair pay practices is vital to attract and retain talent. More organizations are investing in compensation strategies, confirmed by the results of our Compensation Best Practices Report which revealed that **86 percent** of organizations said they either have a compensation strategy in place or are working on one – an increase of **10 percent** from last year, proving that more and more organizations understand the urgency of defining their pay strategy to avoid being left behind in the fierce competition for talent. And with the increase of pay transparency legislation coming into effect in 2022, it's more important than ever that you spend some time evaluating and standardizing your pay practices and philosophies.

Is pay equity analysis a planned or current initiative at your organization?





Payscale provides a combination of data-driven insights, best-in-class services, and innovative software that enables organizations to make fair and appropriate pay decisions. Payscale's mission is to make sustainable fair pay a reality within your organization by making it an integral part of everyday compensation management.

Payscale can support you on your journey to fair pay, no matter what stage you are at. Discover where you are on the journey and learn how Payscale can assist you at any stage.

Market Data

Payscale has diverse and dynamic data sources that help you understand where competitive pay trends are going while adapting to today's challenging environment.

Scalable Technology

Payscale offers a variety of tools to help organizations use market data to create pay ranges, pay structures, conduct pay equity analysis, and merit reviews, and communicate with employees.

Experienced Services

The Payscale services team will work with you and use World at Work best practices to benchmark jobs and create pay ranges and structures.

Make sustainable fair pay a reality



Have confidence in fair pay decisions without the administration of traditional survey participation.



Use technology to easily create and refresh pay structures that continue evolving with the rapidly changing talent market.



Accelerate your journey to fair pay and pay transparency in a matter of weeks by leveraging Payscale's expertise.



Uncover pay gaps in minutes, understand the actions and cost for remediation, and build a sustainable approach to pay equity.



Gain direct access to the most up-to-date job descriptions and connect these with your compensation strategy using AI.



Ensure your pay structures are communicated effectively and are sustainable going forward.



Establish appropriate governance so that consistent compensation decisions are made.



Achieve consistency throughout your compensation cycle, remain competitive, and keep employee morale high by disclosing pay ranges.



Empower front line managers to make data-driven compensation decisions by creating a collaborative compensation planning process.

[Request a demo](#)



There are multiple stages in an organization's journey to fair pay.

Employers need to work across this spectrum to build transparent and consistent pay practices and work toward a sustainable approach to fair pay. Payscale has the market data, technology, and services to help organizations at any stage of the fair pay journey.

1

Define Pay Philosophy and Fair Pay Goals

Identify how fair pay supports your organization's business strategy, competitive positioning, and values and commit to the fair pay journey.

2

Externally Benchmark Jobs

Competitive positioning and bringing fair pay to market is a common starting point. Begin with market pricing internal jobs and basic job leveling.

3

Level Jobs

Create fair and unified job structures by grouping jobs based on the authority, level of responsibility, and typical knowledge, skills, abilities, and experience afforded to each role.

4

Create Pay Structures

Create internal pay ranges or pay grades to manage internal pay alignment and progression, then communicate these depending on your approach to pay transparency.

5

Assess Pay Equity

Investigate your internal pay equity position on an uncontrolled and controlled basis, then understand and plan to mitigate any pay disparities.

6

Build a Sustainable Approach to Fair Pay

Embed fair pay across your compensation cycle and make pay equity part of every pay decision. Continue to build ongoing pay conversations and transparency within your organization.

Payscale has data-driven insights, best-in-class services, and innovative software to help you at any stage of your journey.

Data

Understand where the market is going while quickly adapting to the changing talent market of today with a variety of dynamic data sources:

- **Market Data**
 - **Crowdsourced Data**
 - **Peer Data**
-

Technology

Establish consistent pay practices that create efficiency and are easy to maintain over time with:

- **Payfactors**
 - **Pay Equity**
 - **Compensation Planning**
 - **Job Description Management**
-

Services

Leverage Payscale's services and expertise to achieve successful compensation outcomes:

- **Job Pricing**
- **Structure Modeling & Creation**
- **Strategy and Market Analysis**
- **Manager Best Practice Training**

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Payfactors has helped us to more easily realize where we have pay gaps and how we can align better to the market when pricing jobs. We are actively trying to be more consistent in pricing our jobs so that we are paying our employees a fair salary.

Sydney P.

Associate Compensation Analyst
Smithfield Foods

**Learn how Payscale can support
your organization at any stage of
your journey to fair pay.**

Request a demo



Step 2

Your step-by-step guide to
effective pay communications



Pay conversations are a vital driving force in ensuring your employees feel valued and trust they are treated fairly. This guide will help you understand why pay communications are important and provide you with a step-by-step approach that will equip you to have meaningful conversation and break down secrecy around pay.

Your step-by-step guide to effective pay communications

"Where does our **pay data** come from?"

"How often can I expect a raise? "

"I've done some research online and want to have a discussion about my pay!"

"Do I have to get promoted to get a **raise**?"

"What is the **pay range** for my position?"

"Why does so-and-so make more than me?"

Today's employees are demanding transparency when it comes to pay and have greater expectations of fairness and equity.

They want to talk to about pay and be informed how their pay is set, how it can be progressed, and how it compares from an equity perspective to their peers. When your employees don't understand compensation practices within your organization and believe (rightly or not) they are underpaid, they are less engaged with their work. When employees feel valued and aren't spending time worrying about whether they might be underpaid, they're more likely to be more fully engaged in their work. A more engaged workforce leads to better business outcomes.

In the context of the Great Reevaluation, talent retention is a key concern, and we know from [Payscale's 2022 Compensation Best Practices Report](#) that 76 percent of organizations experienced labor shortages or had trouble attracting talent in 2021. When examining what is driving turnover, we also found that compensation is a key driver of employee engagement.

If employee retention is a concern for you, moving toward proactive pay communication could help to keep top talent at your organization. Indeed, in a previous Payscale study, we found that 82 percent of employees are satisfied with lower pay as long as the rationale is explained.

There is also a new focus on pay transparency legislation, with New York City requiring employers to post a salary range of any job posting beginning in May 2022. New York City is certainly not the first to take this leap. At least eight other states and several cities already have pay transparency laws on the books.

These pay transparency laws will require companies to conduct internal audits of their current pay practices. Why? Because when companies are required to post salary ranges in job postings, current employees can see those salary ranges. If a company posts a salary range for an advertised role that is much higher than a current employee makes in the same role, that will likely cause a decline in employee morale, and it could cause your current high performers to seek employment elsewhere.

Yet many organizations don't publish employee salaries, aren't providing total rewards statements, and don't offer rationale about pay decisions and are caught flat-footed when employees ask about compensation.

Managers don't always know how to respond and sometimes they don't get a good explanation from HR about why employees are paid the way they are. This is disconcerting to employees, especially when organizations don't give the pay increase that they asked for, or not in the amount that the employee considers to be fair. The result is disengaged employees who feel undervalued, frustrated managers, frazzled HR leaders, and — if the situation is bad enough — faltering business performance.

But there is a solution, and in many cases, it doesn't require paying all your employees more or totally transforming all your pay practices. The fact is that improved communications about pay can mitigate many of these challenges. At Payscale, we aim to spark a real conversation around pay and provide employers and employees the tools and best practices to understand how to have an informed conversation together around pay. This whitepaper will help you understand why pay communications are important and includes a step-by-step guide for developing an effective pay communications plan so you can get those conversations started.



What are pay communications?

Pay communications are the information you provide to employees about pay and how pay is decided. This can include conversations with employees on pay ranges, processes for sharing how salary increases are determined, and total rewards statements. At Payscale, we believe that messaging about pay is as important as the pay itself. In a previous study, Payscale surveyed more than 71,000 employees and found that a top predictor of employee engagement is a high level of transparency when communicating about pay.



Relationship to pay transparency

One common mistake is to conflate pay communication with pay transparency. These terms are related, but they are not synonymous. Pay communications are a practice whereas **pay transparency is a spectrum**. At the opaque end of the spectrum, employers don't share anything with employees about how pay is decided. At the fully transparent end of the spectrum, salaries for all positions are easily accessible by employees or even made public. Most organizations find themselves somewhere in the middle of the pay transparency spectrum with a desire to become a little more transparent than they are currently.



Relationship to pay equity

Clear and transparent pay communications are a critical factor in ensuring pay equity. If we all talk about pay more openly in a more informed manner, we increase transparency, reduce bias, and ensure fair pay that can ultimately help to close pay gaps. Many of the issues that contribute to pay gaps are driven by pay secrecy, which can disadvantage certain groups of employees from having an equal opportunity to earn the same. Disclosing pay ranges during hiring or promotion processes ensures all prospective employees will start on a level playing field. Clear guidelines on what factors should drive pay progression can reduce subjectivity and bias in on-going decision making to ensure fair treatment of all employees.

The components of pay communications

Pay communications show employees exactly how much the organization values them. With the right communications, employees will know what they are paid, where they fall within a salary band or pay ranges, and why. This information is ideally based on multiple sources of salary market data with consideration for all relevant compensation factors for their position, such as years of experience, location and skills, and consideration for internal equity.

It is recommended that pay communications also cover the employee's job descriptions as well as the total rewards package that the employee receives, with a breakdown of variable pay versus base pay as well as the valuation of benefits, paid time off, and other valuable employee programs and rewards.

Ideally, pay communications also cover how employees can increase their earnings within a pay range or how to move up to a new salary band or otherwise grow in the organization. This reduces anxiety about missed opportunities elsewhere, builds trust in the organization, and gives employees incentive to work hard, remain loyal, and become leaders in the company.

Essential pay communications

1

Rationale for pay

2

**Growth potential within
pay grades/ranges**

3

**Timing of salary increases
(annual and merit-based)**

4

Bonus and incentive pay criteria

5

Promotion processes

6

Total rewards statement

Two paths to pay communications: traditional & visionary

At Payscale, we frequently see two approaches to pay communications: traditional and visionary.



Traditional

With a traditional approach to pay communications, organizations are largely reactive. HR wants to control the messaging around compensation through managers, but managers don't always get the training required to do this. Indeed, many traditional organizations discover when attempting to implement pay communications that they lack strategic messaging for compensation. Without pay communications policies, managers may essentially wait for employees to ask about compensation, which leaves the organization vulnerable to turnover. HR can correct this by training managers on compensation messaging and expectations for delivery. However, in traditional organizations, the reasoning and data behind the messaging may not be explained to managers. There may only be a summary of the organization's pay philosophy and some basic information about compensation review cycles and the policy around giving raises.



Visionary

With a visionary approach to compensation, organizations strive to be proactive and transparent about how compensation decisions are made, with employers consistently engaging with employees about their pay and career path. Managers may be invited to collaborate on the pay philosophy, which is often intrinsic to the whole company culture. This approach requires more detailed understanding of compensation throughout the organization, which means more time and energy invested in education and training. It also tends to mean less secrecy about how the business operates. For example, managers might need to understand whether the company is cash positive or not, the business strategy for growth, and how business performance ties into compensation planning and hiring. This is a more mature path that is more likely to increase employee engagement and loyalty but not every organization is ready or willing to tackle the large cultural change required.

Reactive (traditional)	Proactive (visionary)
Employee asks for a raise	Managers are involved in developing the pay philosophy with an understanding of pay policies and training on pay communications
Manager goes to HR	Total rewards statements are shared with employees along with information about growth opportunities and career paths
HR consults the data	Regular check-ins on performance create a cadence of opportunities to discover and address discontent with compensation and offer opportunities for growth
HR goes to the approver	HR proactively monitors compensation and identifies employees eligible for raises
HR informs manager what they can offer	HR goes to managers with compensation adjustments
Manager negotiates with employees	Managers proactively offer raises
Employee accepts... or resigns	Employees feel valued and engaged
Organization reacts	Organization attracts and retains more top talent

Which path are you on?

It may be obvious which path is more aligned with your organization and industry, but if you are not sure, the answer is usually found in your culture and where you can envision sitting comfortably on the pay transparency spectrum. For example, if your organization is more hierarchal and authoritative with a lot of secrecy at the top of the organization, you might lean toward a more traditional approach. However, if you have a flat organizational structure or an employee-owned business where stock options are a common part of compensation, then you might lean more toward a visionary approach.

You might also be a traditional organization aspiring to be more a visionary organization. Although you have a lot of work to do, your organization is ready for the kind of results you can expect with a more proactive and transparent approach to compensation. If this is the case, there are resources to help you achieve your objective.

Step-by-step guide to creating a pay communications plan

Regardless of which path you're on — traditional or visionary — pay communications can nearly always be improved. The following recommendations are applicable to almost any organization that wants to create a pay communications plan.

Step 1 | Get buy in

Step 2 | Determine key messages and objectives

Step 3 | Agree an appropriate level of transparency

Step 4 | Decide who will communicate and the roles they will play

Step 5 | Coach managers

Step 6 | Communicate and gather feedback

Step 1

Get buy-in

If you're spearheading a more active pay communication strategy, you want to start by getting buy-in from leadership to your approach. There are some clear business gains that come from effective pay communications that should be covered in your proposal.

A proactive pay communication plan **builds trust in HR** as a collaborative partner rather than an obstructive entity. Your employees will see that compensation decisions are arrived at with careful balancing of both internal and external competitiveness and equity. Showing that you have a well-researched and organized approach to something so fundamentally important to the workforce goes a long way in helping employees to **trust that the organization** values them and that they are being paid fairly. It helps them believe that HR has the best interests of employees in mind.

When the employees in your organization feel valued, **morale and engagement will increase**. Your employees will feel that they really do work for a good company that cares about them as people and takes the time to let them know that they are valued. They will also lead to better interactions between employees and between employees and customers.

Because a proactive approach helps to foster trust, **your organization's stated values will resonate more**. Employees will feel like an important piece of a larger whole. Conversely, a reactive approach to compensation leaves employees feeling that they are being left out of information that is critically important to them, which will impact their perception of the company holistically. They are left to scramble to fill in the blanks of what they do not know and, when that happens, incorrect information is much more likely to circulate. When you are proactive, you control the overall message.

The value of pay communications

Enhanced trust in HR

Improved retention rates

Increased engagement

Higher morale

Stronger company culture

Accelerated business growth

Step 2

Determine key messages and communication objectives

Before you start, you should consider what your communication objectives and key messages are. Minimally, pay communications should accomplish the following goals:

- Ensure that employees fully understand all the components of their pay.
- Improve employees' perceptions of how their pay is determined.
- Motivate employees to perform their jobs to the best of their abilities.

This is the information you will need to gather in order to build your pay communications. Then you need to frame this information with both strategic and individual context.

Starting with strategic context, ultimately, all pay communications should be an extension of your compensation philosophy which should cover how you will use compensation to support the company's mission and values and underline your employer value proposition. Articulating what factors you aim to recognize will underline your philosophy and help improve overall understanding of pay outcomes. Do you have a pay for performance strategy? Is cost of living a factor in setting pay? Is location-specific pay relevant? Do you have a specific market pay strategy driven by skill and labor requirements? All are relevant points to help improve overall understanding and frame how pay is reflective of your business strategy.



Next, for individual context, there are three key questions employees have about their pay:

How was my pay determined?

This question is really about your pay strategy. Is there some kind of pay range? The employee also wants to know how you decided that this range is appropriate. Then consider how you determine where they fall in the range and reflect on the compensable factors that contributed to that decision. For example, was performance, experience, or time in role a factor?

How can I progress my pay?

Talking about pay progression is important because most employees will have personal and professional goals that they are trying to meet. For example, how does an entry level marketer become a mid-level marketer? Are there tiers for certain roles and, if so, how do they get from tier to tier? If not, what are the options for growth? If the answers employees get are rational, honest, and offer a path upward that they feel they can achieve, the employee is more likely to feel valued and stay with your organization.

How does my pay compare to my peers?

For this question, it is worth noting that the issue of pay fairness has become a critical part of all conversations on pay. Pay equity has become a societal, economic, legal, and political issue with companies facing greater scrutiny on what they're doing for pay fairness. [Payscale's research supports the growing importance of pay fairness](#) and found that when employees don't feel they are paid fairly, they are more likely to leave. Without a formal pay structure or data-backed compensation rationale, this question can be difficult to answer.

When deciding on the key messages, it's worth considering your audience and how each group will have different priorities and expectations for what will be communicated. Consider the different stakeholders in the communication process and what they will need to know, rather than adopting a one-size-fits-all approach.

- Your leadership team will hopefully want to understand the overall impact to the organization and how compensation outcomes can enforce company culture and impact business performance. If there are specific talent market issues that influence decisions, share this as well.
- Managers need both strategic and individual context to put them in the best position to have meaningful conversations with employees and we will cover in more detail how to prepare them for this.
- When it comes to employees, consider whether you need to segment your audiences for communication, particularly if you use significantly different pay approaches for different groups. What's important is that you consider tailoring your pay communications to meet everyone's needs.

Step 3

Agree on an appropriate level of transparency

A key decision in your pay communications strategy is to decide how transparent you want to be about how pay is determined. There is a big difference between broadcasting everyone's salaries (the Whoa phase on our spectrum below) and being transparent about how pay is determined. The Payscale definition of pay transparency refers to the level at which you are transparent about some of the key decisions your organization makes regarding pay. Most employees aim to get to stage 3 and 4 on the spectrum. But every organization must pick the right level of transparency to fit their culture, workforce, talent strategy, and business objectives. Ultimately being able to explain the how, where, and why will lead to more meaningful conversations, especially as more and more employees are expecting some degree of transparency.

1. What

Your organization tells employees when and what to expect on their paycheck.

2. How

Your organization shares some market data with employees.

3. Where

Your organization has a comp plan and shares pay ranges with individual employees.

4. Why

Your organization's comp plan reflects org culture, drives talent strategy, and is open to EEs.

5. Whoa

Ranges and employee pay information is available to all employees.

Step 4

Decide who will do the communication and the roles they will play

It's important to be intentional about how your pay processes are communicated, including who is doing the communicating. As with any good communication strategy, you can utilize different actors in the process.

Start by considering who should introduce key messages and who should reinforce these. For example, if you are communicating a new pay approach, or perhaps need to explain how a challenging financial year has impacted budgets, it helps if the initial delivery comes from a trusted source. As workforces become more fragmented through flexible and remote working and departmental silos, it's more important than ever to provide a single source of truth. This source could be your CEO or your executive leadership team. It could be your chief people officer or chief finance officer. Your trusted source should lead the initial communications and introduce company-wide strategy and compensation goals.

Typically, reinforcement happens with managers having individual conversations with employees. You want them to be able to link the broader strategy to each individual employee, reiterate and support the decision-making process, and be able to respond to employee concerns and escalate questions. We will cover how to prepare them for this in step 5.

Step 5

Coach managers

Managers have a critical role to play in pay communications. When they feel confident, employees will feel confident, so your investment in coaching them to navigate pay conversations will ultimately help you achieve your pay communication goals. We know from our research on compensation best practices that top-performing organizations are more likely to train managers to talk about pay: **39 percent (versus 31 percent)**.

What managers are empowered to say in pay communications — and when — will depend on the compensation maturity and level of pay transparency that the organization has adopted. You'll have to decide what senior leadership knows, what HR knows, what managers know, and what employees know. However, even if your organization is fairly opaque, you should be able to provide some level of training to managers on pay communications. Minimally, every manager should know:

- When to have pay conversations with employees.
- What to cover as part of those conversations.
- How much managers are allowed to say about how compensation is determined.
- Which questions or scenarios to pass to HR to handle.

Don't assume that managers know how to have compensation conversations with employees. Part of pay communications planning is providing managers with tools on how to handle both the common and more unusual scenarios in pay communications. For example, managers may need to be trained on how to prepare for meetings with employees, including which documents to bring. You can help them by providing a checklist of necessary materials, such as a company's pay philosophy, the employee's salary history, the team's salary history, the employee's job description, and past performance reviews. Managers may also require role-play training, especially in more visionary organizations where managers are expected to tackle most pay communications themselves. If that describes your organization, some examples on the next page are scenarios of pay raise situations with recommended responses that you can imitate in creating training materials and toolkits for your managers.

Do your managers know how to respond to the following?

Questions

- Why does so-and-so make more than me?
- What is the salary range for my position?
- How often can I expect a raise?
- Where does our salary data come from?

Scenarios

- When an employee is overpaid
- When an employee isn't eligible for a raise
- When more money isn't an option
- When an employee reacts negatively to an increase

Scenario: Low paid high performer

Budget Available for Upward Adjustment? Yes

Action: Deliver the good news! This employee is getting a pay increase!

Sample Message: "You've been doing a great job, and our research indicates that your position is gaining in market value. Last year you got an increase of X%, which was higher than our average of X%. This year your increase will be X%, in recognition of your great performance and the value of your skills in the market. Thank you and keep up the good work!"

Scenario: Highly paid high performer

Budget Available for Upward Adjustment? Yes

Action: Deliver the news that this employee is NOT getting a pay increase but WILL receive a lump sum reward.

Sample Message: "You're doing a great job, and we appreciate it! Our research indicates that your position value is holding steady in the market. However, our research also indicates that your pay is above the maximum for the range, so we can't offer you a pay increase this year. However, we can and are pleased to offer you a lump sum payment in the amount of X in recognition for your contributions to the company. Thank you for doing such fine work! Also, I'm always available to talk about career pathways, should you decide that you'd like to transition into another position that offers greater income potential."

Scenario: Low paid low performer

Budget Available for Upward Adjustment? N/A

Action: Deliver the not-so-good news that this employee is NOT getting a pay increase.

Sample Message: "We appreciate your work on behalf of XYZ company, but as we've been discussing, your skill set is not current with what we're seeing in the market for similar positions. Our research indicates that your pay is low, but we think this is fair considering your skill set. Therefore, you will not be receiving a pay increase this year. However, should your performance improve, you may be eligible for an increase next year. Here are some goals. Let's discuss your movement toward those goals at the end of the next quarter. Can I answer any questions?"

Scenario: Highly paid average performer

Budget Available for Upward Adjustment? N/A

Action: Deliver the not-so-good news that this employee is NOT getting a pay increase.

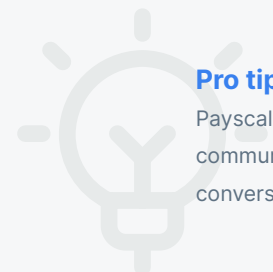
Sample Message: "We appreciate your work on behalf of XYZ company, and your skill set is current with what we're seeing in the market for similar positions. However, our research indicates that your pay is high for this skill set. Therefore, you will not be receiving a pay increase this year. However, should your performance improve significantly, or should your position gain in market value, you may be eligible for an increase next year. Here are some goals. Let's discuss your movement toward those goals at the end of the next quarter. Can I answer any questions?"

Scenario: Average paid low performer

Budget Available for Upward Adjustment? N/A

Action: Deliver the not-so-good news that this employee is NOT getting a pay increase.

Sample Message: "We appreciate your work on behalf of XYZ company, but as we've been discussing, your performance is not where we'd like it to be. Therefore, you are not eligible for a pay increase this year. However, if your performance improves significantly, you may be eligible for an increase next year. As a reminder, here are your performance goals."



Pro tip

Payscale offers services to help customers build a pay communications plan and train managers on how to have conversations about pay with employees. [Learn more.](#)

Step 6

Communicate and gather feedback

Having followed these steps, you are now fully prepared and ready to communicate. Whether managers or HR is primarily responsible for sitting down with employees to discuss compensation, there are best practices that can be employed to ensure that pay communications go as smoothly as possible. Remember, at the end of the day, most employees just want to know that they are valued and that they aren't missing out on greater rewards elsewhere by remaining with you. No matter how the subject of compensation is broached or why, if the answers you provide are honest, rational, and offer opportunities to grow, most employees are more likely to feel valued and stay with your organization.

Here are some further tips for best practice:

Prepare Prepare Prepare

Make sure you do your homework before having conversations about pay with employees. If employees approach you out of the blue, reschedule time for after you've had a chance to review their salary history, job description, salary market data for their position, what their team members make, and past performance reviews. With this information, you should have a better idea of why the employee is coming to you and be able to coach them on their career path. Likewise, if you are the one setting the agenda, make sure nothing comes as a surprise to the employee. Compensation reviews should be a recap of what the employee has already heard about his or her performance.

Watch the jargon

Your employee may not be familiar with compensation terminology. Concepts like labor markets, pay ranges, salary grades, and compa-ratios may not mean anything to them. Stick to plain language and break concepts down (i.e. pay philosophy).

Be direct but empathetic

Talking about compensation is uncomfortable. Be sensitive to the importance money has to your employees in the management of their personal lives and their feelings of self-worth.

Communicate early and often

You don't necessarily want to wait for an annual compensation review to communicate about pay, especially for employees who are high value, underpaid, or otherwise dissatisfied and may be flight risks. It's better to schedule check-ins regularly and catch employees before they can ask you and especially before they start job hunting.

Run the meeting

As the employer, you are in charge. Make sure you frame the conversation positively, but don't beat around the bush. If an employee isn't getting a raise, let them know up front and then dig into the details about why. Make sure to pause and give the employee a chance to respond. The following is a good example of how to structure a compensation review:

- **Start with appreciation** - Let your employee know that you value their work.
- **Provide organizational context** - What is happening with the company?
- **Provide individual context** - Show you know the employee's history and situation.
- **Explain range penetration** - Where does the employee fall for their position and why?

Lastly, don't forget the final stage. It's a known fact that all good communication should be two ways. This also applies to pay communications because employee feedback can reveal the true impact of pay and is a useful way of confirming if your communication objectives have been achieved. Remember those objectives from step 1? When gathering feedback, make sure you collate enough evidence to gauge success. This is not just about checking for understanding but also how your employees feel.

There are many feedback channels and opportunities to talk to employees about pay.

Engagement Surveys

Stay Interviews

Exit Interviews

Pulse Surveys

Manager Check-Ins

Employer Review Sites

Also, don't forget to build appropriate channels to capture how your managers felt during the communication process. Did they feel empowered and have all the information and tools they need? What else would they have ideally had to make the process smoother? Were there any questions they could not answer? Were there some common themes of dissatisfaction in the conversations they had? If you do actively collect feedback, recognize that what you do with their input speaks volumes to employees. When leaders respond quickly to ideas and questions, employees get the message that their input is valued and become more committed and engaged.

Following this step-by-step approach will equip you to have meaningful conversation and break down secrecy around pay. Pay conversations are a vital driving force in ensuring your employees feel valued and trust they are treated fairly.

Learn more about how compensation management software, data, and services can help your organization improve pay transparency and reduce turnover.

Request a demo



Step 3

Fair pay statistics
you should know



Equip yourself with data to support pay transparency and fair pay initiatives so that you can take action and work toward achieving fair pay within your organization. [Payscale's Compensation Best Practices report](#) distills data and insights from the largest known survey focused on compensation management practices for compensation professionals, HR leaders, and business executives.

Let's Talk Fair Pay - Statistics you should know.

Pay equity

From CBPR 2022

- 66%** of orgs say pay equity analysis is a planned initiative in 2022 — a 20% increase over last year.
- 36%** of orgs know what their gender pay gap is and 29% of orgs know what their racial pay gap is.
- 37%** of orgs overall plan to do something to address their pay gaps.
- 33%** of orgs who are not interested in pay equity analysis believe they don't have a problem despite not measuring their pay gaps.
- 14%** of orgs conduct pay equity analysis continually but 43% of orgs are interested in moving towards a continuous approach.

Pay communications and transparency

From CBPR 2022

- 60%** want to be at least a 3 on the pay transparency spectrum; however, only 36% of respondents currently evaluate themselves as such and this hasn't changed much year over year.
- 68%** of orgs share pay ranges with employees but only 22% do so in the job ad.
- 55%** of orgs do NOT provide employees with a compensation statement.
- 54%** of orgs do NOT train their managers on how to have conversations about pay with employees.
- 29%** of orgs say that leadership is NOT convinced of the merits of pay transparency.

Learn more about

Compensation Best Practices

Download the report →

Learn more about

The Impact of Fair Pay Perception on Employee Retention


Download the report →

Impact of fair pay perception on retention

From Fair Pay Impact Report

- 57%** of people who are paid at market and **42%** who are paid above market believe they are underpaid.

Employees who think they're paid below market are **50%** more likely than those who think they're paid at or above market to seek a new job in the next six months.



Learn more about how Payscale's data-driven insights, best-in-class services, and innovative software can help your organization improve pay communications and make sustainable fair pay a reality by making it an integral part of everyday compensation management.

Request a demo



About Payscale

As the industry leader in compensation management, Payscale is on a mission to help organizations value their people and to help people realize their value. Empowering more than half of the Fortune 500, in 198 countries, Payscale provides a combination of data-driven insights, best-in-class services and innovative software to enable organizations such as Angel City Football Club, Perry Ellis International, United Healthcare, Vista and The Washington Post to make sustainable fair pay a reality.

To learn more, visit www.payscale.com.

Pay is powerful™

