

Preparing for pay transparency with compensation communications

Salary range transparency is the future of fair pay. States and cities either have passed, or plan to pass, legislation that requires pay ranges to be published in job postings. With [these new regulations](#), employees now have access to competitive salary data at their fingertips. To retain their workforce, organizations must ensure they have earned employees' trust around pay.

Unfortunately, the data indicates there's work to do when it comes to building employee trust around pay. According to [Gartner HR Research](#), a mere 32 percent of employees believe their pay is fair. Additionally, 57 percent of people who are paid at market and 42 percent who are paid above market believe they are underpaid, according to [Payscale's research](#).

What's creating this perception for employees that they aren't paid fairly? At least part of the problem seems to be that organizations aren't providing the information employees need to fully understand and appreciate their pay. According to the [Compensation Best Practices Report](#), 55 percent of organizations do not provide employees with a total rewards statement that outlines all their rewards (salary, bonuses, equity, health insurance, etc.).

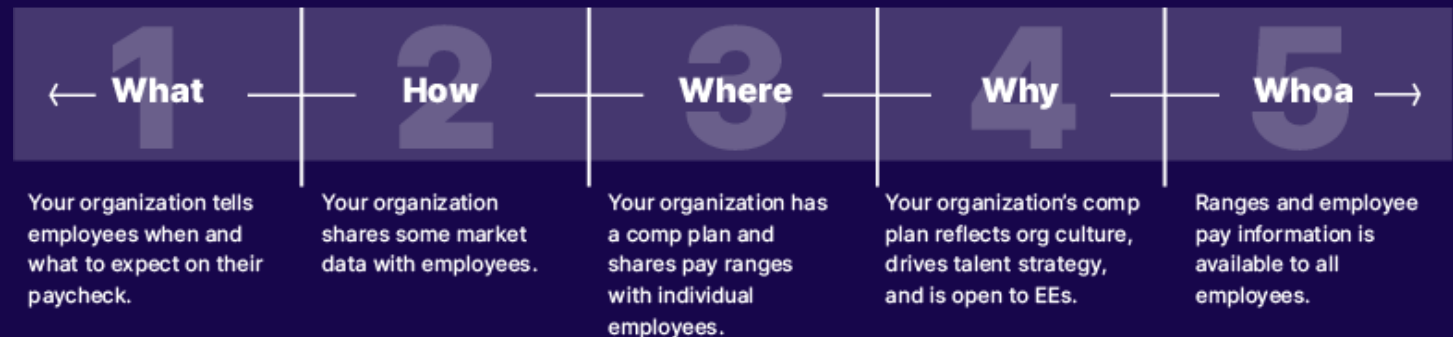
Communication about pay not only improves perceptions of pay fairness, but it also builds trust in the organization. Investing in pay communications can help organizations demonstrate to employees that they are valued.

Choosing what to communicate about pay

Some organizations may fear that pay communications require full transparency. That's simply not the case. Pay communication and pay transparency are related. But they're not synonymous. Pay communication is a practice and pay transparency is a spectrum.

Pay communication is the information you choose to provide to employees about pay and how pay is decided. This can include having conversations with employees about pay ranges, sharing how salary increases are determined, and offering total rewards statements with monetary details. What HR and compensation leaders decide to communicate about pay is based on where their organization lies on the pay transparency spectrum.

The pay transparency spectrum



At the far-left side of the spectrum, employers share the most basic compensation information: an employee's pay. At the fully transparent end of the spectrum on the far right, salaries for all positions are communicated internally and maybe externally. Most organizations find themselves somewhere in the middle, with a desire to become a little more transparent than they are currently.

Regardless of where an organization sits on the pay transparency spectrum, it's possible to communicate and engage with employees about pay. As organizations begin publishing salary ranges, they'll have the opportunity to move beyond just sharing what's on a paycheck to implementing a system for communicating total rewards. In this quick guide, we share insights about communicating about pay, as well as five best practices that can help organizations get started.

Practitioner perspectives

Motivate, retain, and engage employees

Compensation professionals and people managers see pay communications as an effective way to not only highlight the total compensation package, but also to reinforce that the organization values employee contributions. This active recognition can positively impact employee engagement and retention.

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Motivation

“Pay communications should ensure that employees fully understand all the components of their pay and improve their perceptions of how their pay is determined. Ultimately, pay communications can help motivate employees to perform their jobs to the best of their abilities.”

Jenny Walling

Manager Compensation Services

Retention

“If you don't actively communicate about pay, you lose the chance to use it as a retention tool. I've heard too many stories about people getting promoted into a bonus-eligible position and nobody telling them. Or they received a stock grant — but again, nobody told them. Pay communications are an essential part of a successful comp strategy.”

Paul Johnson

Compensation Analyst

Engagement

“Payscale made it easy to explain their full compensation to employees. Everyone understood that the company helps with medical, dental, and vision insurance, but they really didn't know how much. Seeing the total rewards statement opened their eyes to the costs the company is covering in the background. I had several employees thank me for sharing this information with them.”

Electrical Manufacturing

Operations Manager

Five compensation best practices for communicating about pay

Whether it's through one-on-one conversations between managers and direct reports, benefits communications, or total rewards statements, HR can empower all employees by communicating about pay. Here are some tips for getting started.

Need help with your pay communications? Check out PayScale's total rewards statements.

[Learn more](#)



1

Ensure you have a pay strategy and philosophy in place.

Before an organization adopts a pay communication approach, it is important to have a compensation philosophy and strategy. Once the fundamental approach and methods around pay and benefits are in place, it's much easier to communicate about pay in a way that attracts, engages, and retains talent.

2

Determine the appropriate level of transparency for your organization.

The next step in pay communications is identifying what level of transparency your organization wants to have regarding pay. Are you at the "paycheck only" stage, are you sharing all salaries for all positions, or are you somewhere in between, sharing salary market data and pay strategies? The answer to this question will help set your communications approach.

3

Create total rewards communications.

Total rewards statements allow organizations to tailor pay communications to each employee and ensure everyone receives accurate information. Statements include salary information but can also provide details about the compensation philosophy, employee benefits, and other rewards. Managers can use these statements as helpful visual guides during compensation review conversations. Although creating statements manually is an option, it's best to use a method that ensures rewards statements are accurate and standardized. Compensation software makes preparing these statements hassle free.

4

Train leaders and managers on how to communicate about pay.

For a holistic approach that builds and maintains trust between employees and the organization, leaders at all levels need to understand the impact of pay communication and their individual roles in the process. Managers are often the first point of contact for employees when compensation questions arise. As such, it's vital to offer compensation training for them so they can confidently talk about pay.

5

Communicate about pay throughout the year.

It used to be that pay conversations happened once a year during an annual review. Now, ongoing pay communications allow managers and leaders to regularly check in to support and encourage employees. Use a consistent pay communication schedule to inform new and existing employees about policies for raises, total reward packages, and professional development opportunities.



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 65% of the Fortune 500, Payscale provides a combination of diverse and dynamic data sources, experienced compensation services, and scalable software to enable organizations such as Panasonic, ZoomInfo, Chipotle, AccentCare, University of Washington, American Airlines, and PetSmart to make fair and appropriate pay decisions.

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