

## Responding to employee reactions to pay transparency

While it may be too soon to measure if pay transparency laws in the U.S. are reducing gender and racial wage gaps, it's not too soon to tell that pay transparency is most definitely not going away. About one in four employees in the U.S. are now covered by some sort of pay transparency law.

Sixteen states and D.C. have considered pay range transparency laws in the 2023 state legislative session. Regardless of whether your organization is located in a place with pay transparency requirements or not, you may now be required to include salary ranges in your job postings when you're hiring remote employees across the country.

Likewise, you may be required to post ranges to remain competitive as talent comes to expect ranges in job postings. In 2023, more employers are publishing pay ranges in job postings than ever — double compared to last year in the United States.

Pay transparency is not just about employees in the U.S., either. The recently approved EU Pay Transparency Directive means that all organizations in European member states will soon have to disclose pay ranges to job candidates as well as to any employee who asks. In 2023, some Canadian lawmakers also passed new regulations on this topic: British Columbia passed its Pay Transparency Act with an effective date of November 2023, and Prince Edward Island approved legislation mandating that salaries appear on all public job postings. Australia has also recently focused on pay transparency initiatives.

These trends indicate that pay transparency is likely to continue expanding around the globe, even where it is not required by law.

“[Pay ranges in job postings] really made a difference going into the workforce as a fresh graduate. We had no idea what the wages of these entry-level jobs were.”

**Yuan Yati Naing,  
recent graduate**

*Source: New York Times*

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## Impact of pay transparency on retention

Although employees are less likely to leave their jobs now than during the Great Resignation, there are many reasons they may choose to seek another job. The adage that people quit managers — not jobs — remains true.

However, another reason people may seek out new jobs is because they perceive that their current compensation is unfair. This is especially true when employees know that better pay is available in the job market because of pay transparency.

That's why pay transparency is quickly becoming an essential part of talent strategy, including attraction and retention.

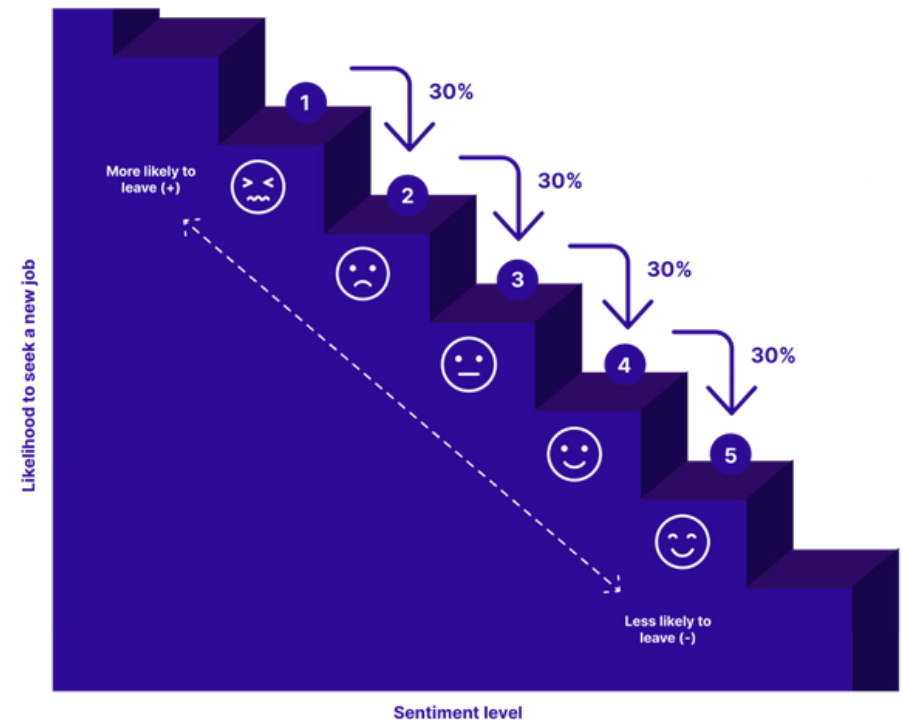
Our research shows that job-seeking behavior decreases by 30 percent when employees feel that how pay is determined at their company is a transparent process.

Transparency is not a solitary solution. It must be combined with compensation strategy and pay communications — and ideally pay equity as well. This is especially true when it comes to appealing to younger workers who tend to be more anxious about their pay, less knowledgeable about how pay is determined, and more apt to seek alternative employment if they are not being proactively shown that they are valued.

## Pay transparency

"How pay is determined at my company is a transparent process."

Pay transparency decreases likelihood to seek a new job by **30 percent** per level increase.



Source: Payscale Retention Report 2023

## Practitioner perspectives

### Observing how employees and job candidates react to transparency

While organizations and HR professionals are busy meeting legislative requirements, they are also observing how employees and candidates respond to this new level of transparency. So far, reactions are mixed, but one thing is certain:

**Pay transparency is quickly becoming part of the employee experience and employee expectations.**

Here's what compensation professionals have noticed so far about how candidates and employees are responding to these changes.

“

**This is not a fad.**

“Pay transparency is not a fad. The generation growing up now will demand and expect transparency from all of us. It's going to become the norm. It's going to be hard to attract talent if the first impression they have is that you're secretive about pay.”

*Director of Comp & People Analytics  
Washington State*

**We are all better informed.**

“The interviews have been easier. [Applicants] knew what the position would pay, and they were already interested in applying for it at that range...Everybody's got to kind of, you know, show what they got. I feel like we all are better informed as to what it takes to really be competitive as an employer.” (Source: *New York Times*)

**Ron Harman King**  
*CEO, Vanguard Communications*

**Communication is key.**

“I think the salary ranges can put candidates and internal employees at a disadvantage when they don't know what skills align with the top of the range. Most people don't know what to do with that info. Some immediately go after the top of the range. Others might shy away from it due to an inferiority complex. That's why it's essential to clearly communicate what the ranges represent.”

**Katrina Kibben**  
*CEO and Founder, Three Ears Media*

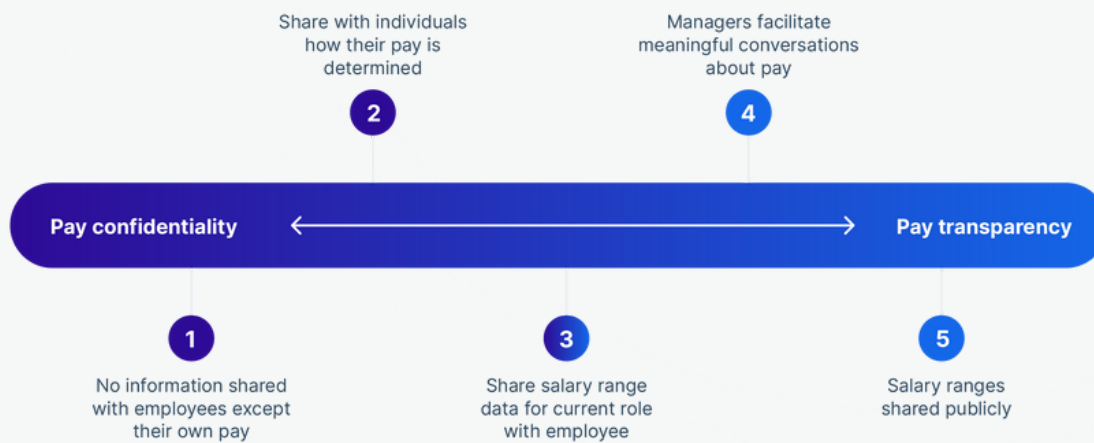
## Best-practice tip

In order to have meaningful conversations with employees about pay, you must first determine how much information you want to share. At one end of the spectrum, employers are only communicating pay information on a pay stub, as required by law in most states. On the other end of the spectrum, organizations are sharing everyone's pay openly — internally and even externally. Before you start answering employee questions about pay, get clear about what your organization's level of communication will be.

## Deciding how transparent you will be

### *pay trans·par·en·cy*

(n): the degree to which employers are open about and communicate pay information internally and externally



Learn how Payscale customers are tackling pay transparency.

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## Meaningful conversations about pay

Many external factors are putting pressure on employers to be more transparent about compensation. Thanks to legislation, social pressures, and increased coverage in the media, compensation is not the taboo topic it once was. Employees are now more likely to have conversations with friends, family, and maybe even colleagues about pay.

As a result, another key to meaningful conversations about pay is understanding what employees want to know. Here are four questions that employees are asking about pay.

## Four questions employees are asking about pay

1

### What is my pay and total reward offering?

At the most basic level, employees want to understand their pay and total reward offering. Ideally, this question can be answered by talking through a total reward statement that outlines all components of the compensation package, including base salary, bonuses, benefits, and other rewards. When answering this question, the organization has an opportunity to demonstrate its commitment to everything associated with the employee's well-being.

2

### How was my pay determined?

When addressing the question of how an employee's pay was determined, start by reviewing the factors that contributed to the pay decision, such as qualifications, experience, performance, and specific skills. This is also a time when an organization can share how it uses market data and internal benchmarks to ensure equitable compensation. Emphasize the importance of rewarding employees based on their contributions and achievements to foster trust and motivation.

3

### How does my pay compare to that of others?

Pay transparency does not mean you must post the salary for every member of the organization on a website. When employees ask this question, a reasonable answer is to share the pay structure if you have one. Highlight how job roles and experience are used to determine pay ranges and grades. Depending on your level of transparency in pay communications, you might also choose to answer this question by sharing the salary ranges by job level or grade.

4

### How can I progress my pay?

Employees want to understand the career advancement options available and how they can engage in their professional development journey. This question is an invitation for employees and their managers to discuss career goals and craft personalized development plans. Employees will feel empowered to progress their pay when they have clarity about the opportunities for growth and development within the organization.



## 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 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, compensation services, and scalable software to enable organizations such as Angel City Football Club, Perry Ellis International, United Healthcare, Vista, and The Washington Post to make fair and appropriate pay decisions.

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