



2025 Fair Pay Impact Report

Our research shows that employees do not perceive that pay is fair even when it is and are more likely to seek a new job because of it. In fact, this has gotten worse over time, despite pay transparency legislation.

In a troubled political and economic landscape, it is more important than ever for organizations to invest in compensation data and strategy to build pay confidence and address pay misinformation to attract and retain top talent.



Summary

In a labor market that has swung between extremes in recent years, retention is a major concern. Productivity suffers when top talent is disengaged or leaves the organization.

A critical component of retaining and engaging employees is **compensation**. Unfortunately, even when employees are paid fairly, they believe they are not.

Payscale's Fair Pay Impact Report has three major findings:

- Employees paid at or above market believe they are paid below market.
- Employees are more likely to leave if they don't believe they are paid fairly.
- Pay transparency is correlated with a decrease in intent to leave.

We last conducted this research in 2021 when inflation was rising and wage growth lagging. During the Great Resignation, turnover, rising wages, and pay transparency legislation propelled more organizations to invest in compensation strategy and pay equity.

Our 2025 Fair Pay Impact Report shows that **wages are fairer now** than in 2021. Unfortunately, **perception of fair pay has gotten worse**. This is because "fair pay" is subjective. Perception of fair pay for consumers is not based on compensation data analysis. Rather, it reflects broad feelings about the state of the labor market, the cost of living, the health of the economy, and eroding trust in employers to take care of employees.

In addition to analysis of the findings, this report includes suggestions for how employers can improve perception of fair pay, engage workers, and retain top talent.

About this research

Our analysis was conducted using 327,583 responses to Payscale's online salary survey taken between January 1, 2021 and January 1, 2025, where respondents provided salary, job, and demographic information and responded to the following questions:

- "How do you think your current pay compares to other employees like you? Below Average, Average, Above Average"
- "In the next 6 months, I plan on actively seeking new jobs outside of my current company: Yes or No"
- "How pay is determined at my company is a transparent process" – Likert scale 1-5, where 1 is strongly disagree and 5 is strongly agree.

[See the methodology for more details.](#)

Most people have no idea if they are paid fairly

Most employees don't know whether they are paid fairly. In fact, employees tend to believe they are paid below market even when they are paid above market.

In our survey, we asked

“How do you think your current pay compares to other employees like you?”

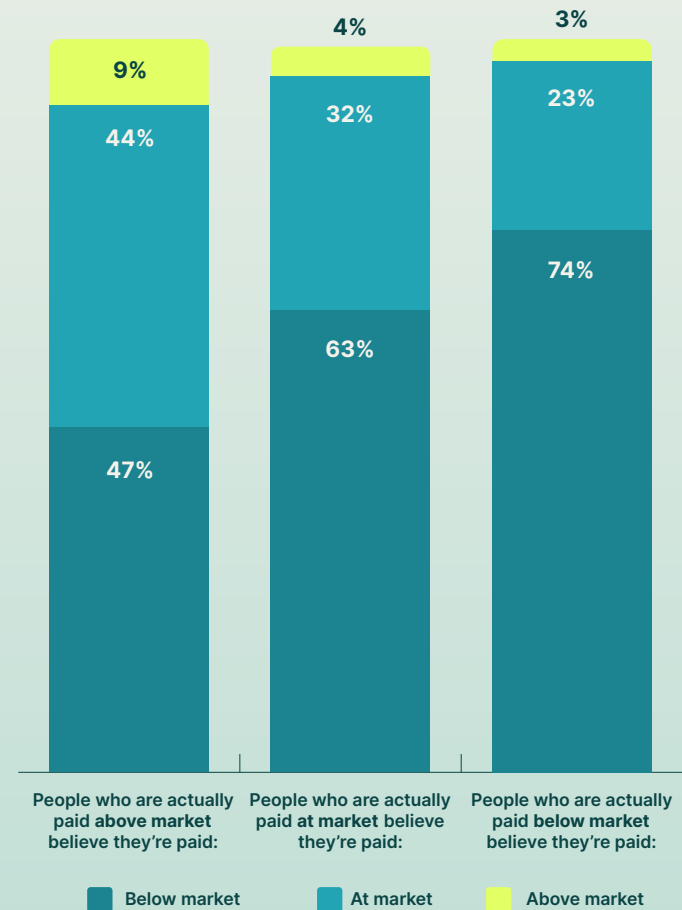
with three answer choices:

below average, average, and above average.

We compared the answers of survey respondents to the actual averages for their positions to generate the adjacent chart.

Payscale's research shows that in 2025, 63 percent of employees who are paid at market believe they are paid below market. Of employees who are paid above market, 47 percent believe they are paid below market. For people who are paid below market, 74 percent believe they are paid below market. These numbers are all higher than in 2021, when it was 57 percent, 42 percent, and 72 percent respectively.

Do people know if they are paid fairly?



Employee beliefs about unfair pay have worsened

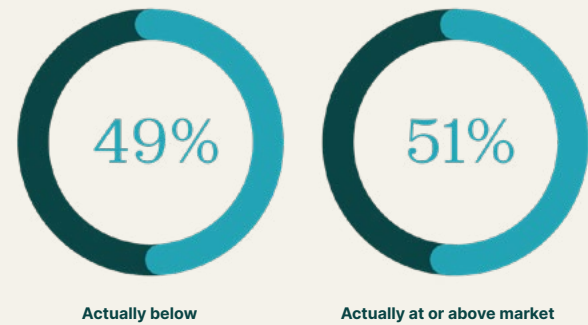
When we group employees who believe they are paid below market, we find that only 32 percent are actually below market, which is a significant decrease from 2021, when 49 percent who believed they were underpaid were actually underpaid.

Conversely 68 percent of employees who believe they are paid below market are actually paid fairly (at or above market) in 2025. This is an increase from 51 percent in 2021, which was in the midst of the pandemic, when organizations were deferring pay raises, freezing pay, cutting pay, and laying off workers.

This is concerning. More than two-thirds of the workforce believe their pay is below market today compared to roughly half four years ago despite improved economic conditions and more pay transparency. This suggests that either pay misinformation is overwhelming employer efforts to educate employees about fair pay or that training on pay communications is either not happening or not effective.

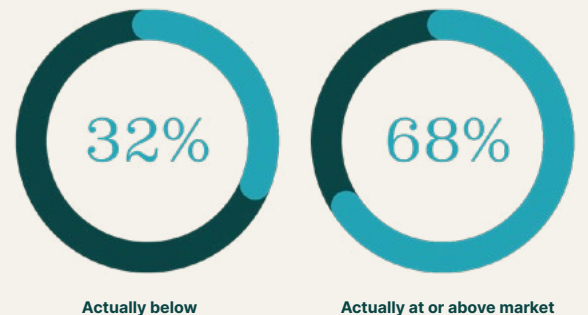
2021

Those who think they're paid below market are...



2025

Those who think they're paid below market are...



Inflation versus wage growth

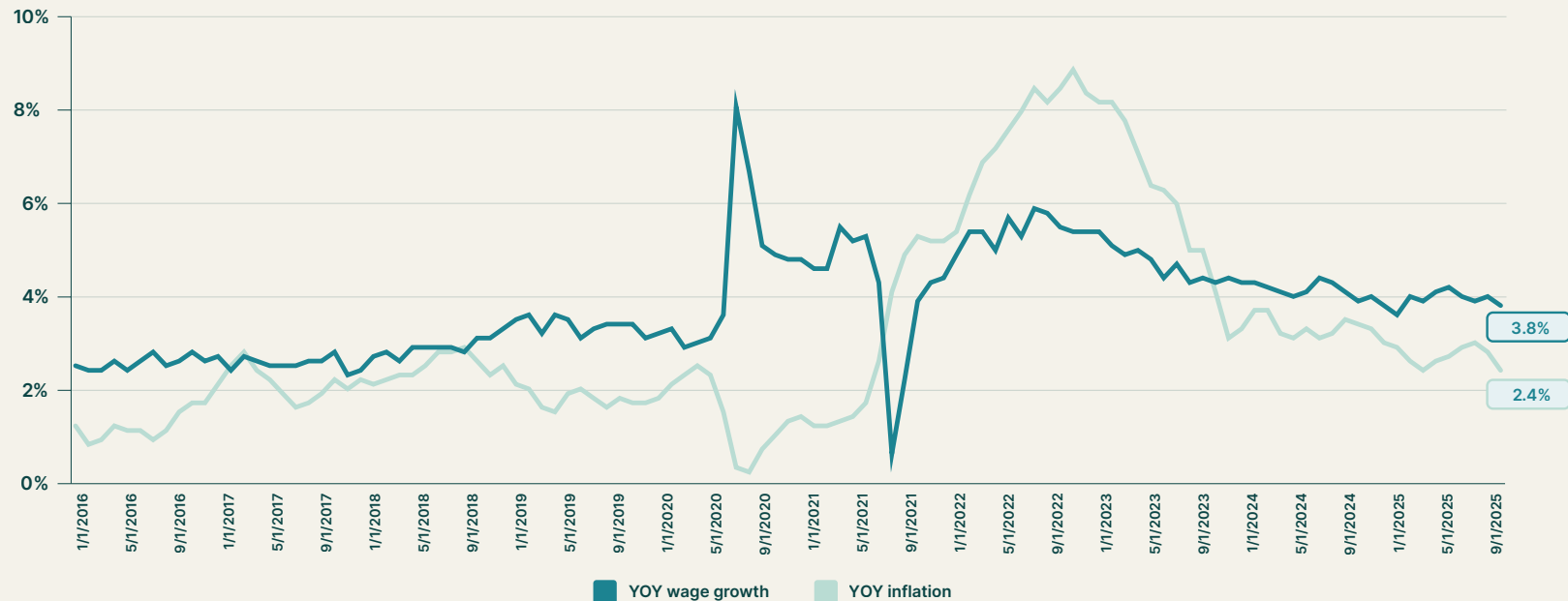
The impact of the COVID-19 pandemic caused inflation to surge from 2020 through the middle of 2022. The introduction of vaccines, the Inflation Reduction Act, and the federal reserve hiking interest rates slowly reduced inflation over the course of the next two years.

At the end of 2024, the federal reserve announced that a “soft landing” had been achieved, and a recession had been avoided.

However, public perception of the state of the economy does not match the data, for both inflation and wage growth. Consumers perceive that prices are still high and do not understand that reducing inflation does not cause prices to go down, especially when there is price gouging due to a lack of regulations. Additionally, wage growth has received less attention than inflation in the media.

YOY growth: Nominal wages vs inflation

Source: U.S. Bureau of Labor Statistics

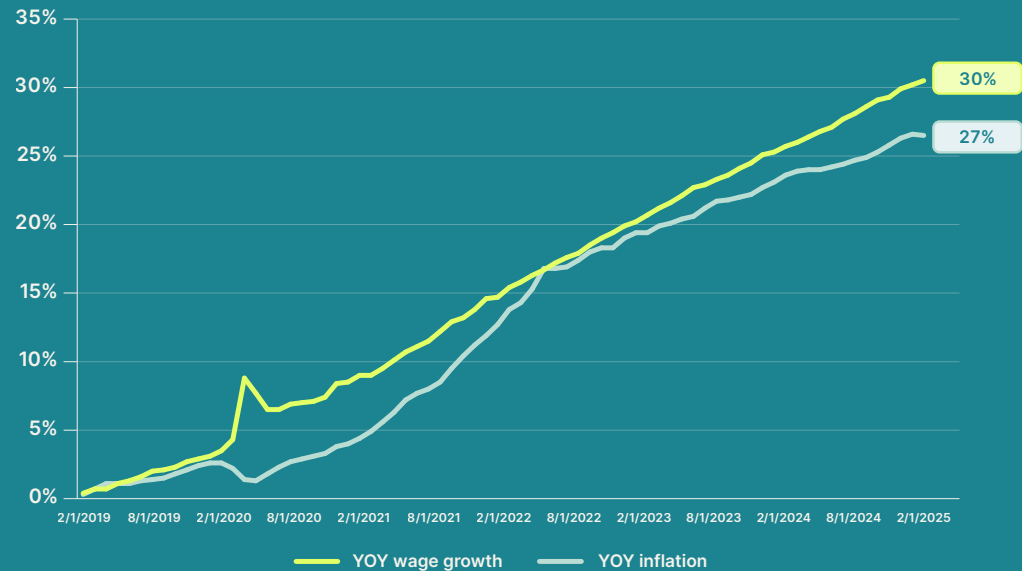


Cumulative wage growth

Cumulatively, wage growth exceeds inflation by a sizable percentage. Overall, salaries are higher, which cumulatively offsets inflation.

This is true in all industries. Surprisingly, healthcare and transportation see the lowest cumulative wage growth despite being industries with higher turnover and competition for talent. Additionally, wage increases are not equally applied across all jobs and some organizations have neglected to give wage increases at all despite extraordinary changes in the cost of living. Low wage earners in particular are more likely to see their earning power evaporate and experience disproportional hardship due to the rising cost of living.

Cumulative wage growth vs inflation since 2019



Industry	Cumulative wage growth since 2019
Overall	30%
Accommodation & Food Services	40%
Finance & Insurance	32%
Professional & Business Services	32%
Retail	29%
Construction	29%
Arts, Entertainment, & Recreation	29%
Manufacturing	28%
Healthcare & Social Assistance	28%
Transportation & Warehousing	27%

Employees are more likely to quit if they don't think they are paid fairly.

Our research shows that when employees don't feel they are paid fairly, they are more likely to seek a new job. In fact, 65 percent of job seekers also have a poor perception of their pay.

Using a logistical regression model that takes into account multiple variables that impact retention, our analysis has determined that employees who think they are paid below market are overall 45 percent more likely than those who think they're paid at or above market to seek a new job in the next six months. We know that pay perception – not actual pay — is the reason employees seek new opportunities.

This has decreased slightly from when we conducted this analysis in 2021 (from 50 percent) which may be indicative of an economy where fewer people are seeking new jobs regardless of whether or not they are satisfied with their pay.

Poor pay perception increases likelihood to seek a new job

% of job seekers with poor pay perception

65%

% of job seekers without poor pay perception

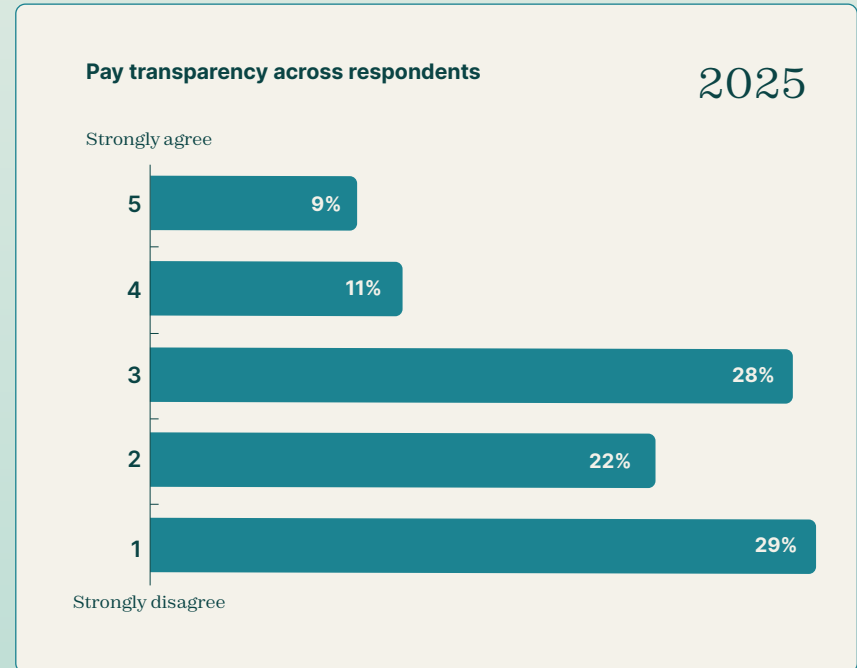
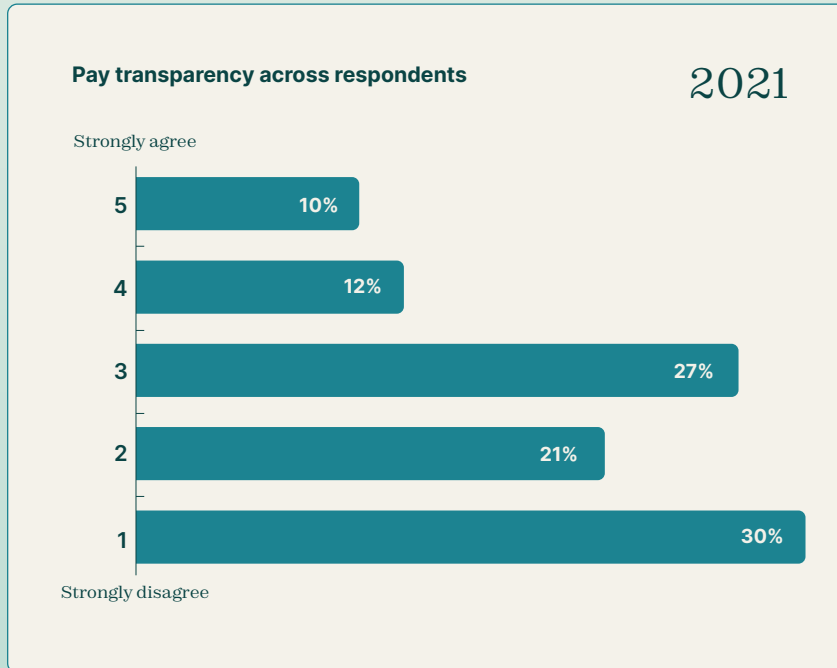
35%

The perception of pay transparency has barely changed

For our analysis, we asked survey participants to rate “how pay is determined at my company is a transparent process” according to Likert scale of 1-5 where 1 is strongly disagree and 5 is strongly agree.

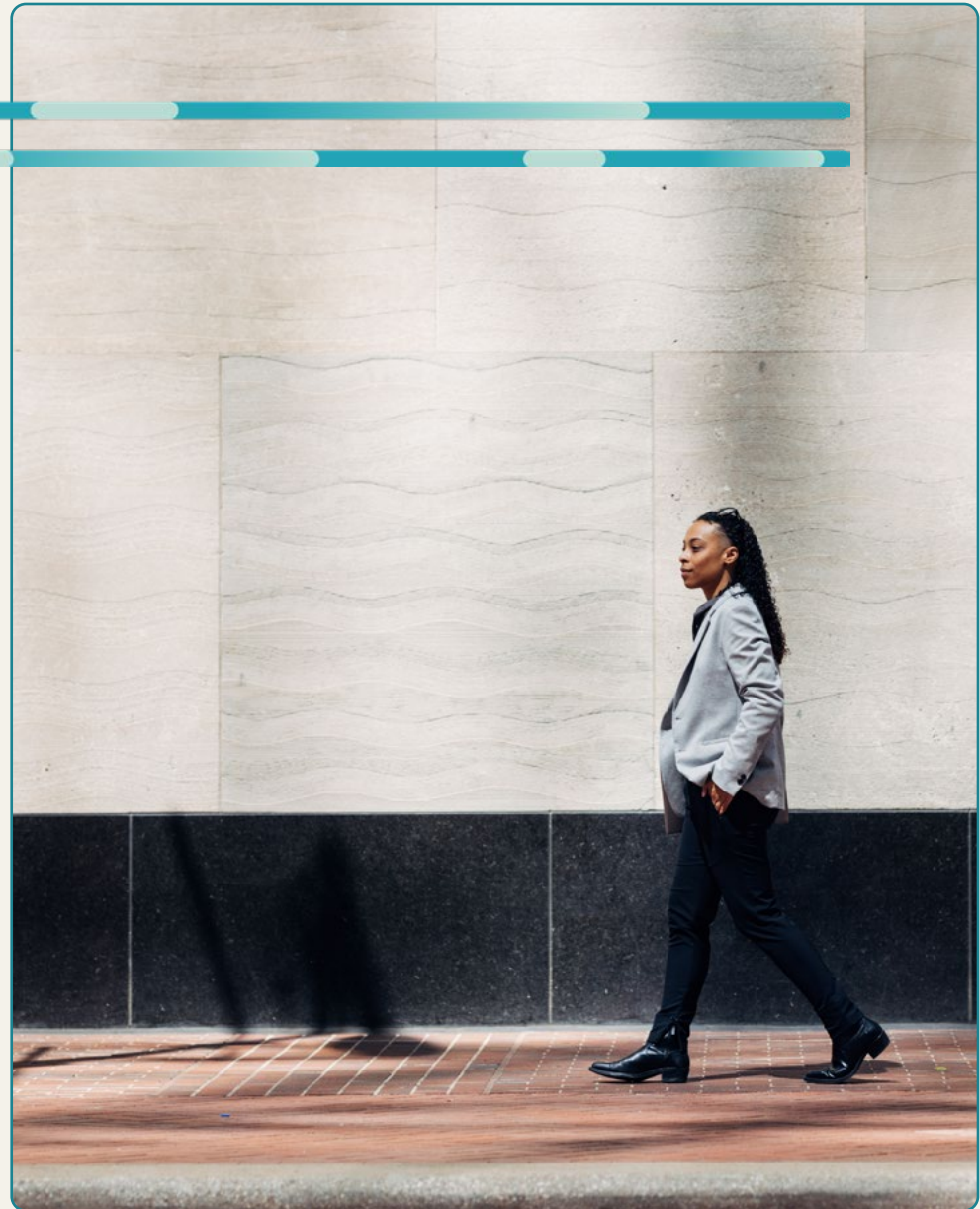
Overall, we find that the perception of pay transparency has changed very little over the last few years. This is surprising given that pay transparency legislation now affects 1 in 3 employees across fifty states. This suggests that there is more work for employers to do internally to communicate transparently about compensation.

Question: How pay is determined at my company is a transparent process (1 Strongly agree, 5 Strongly disagree)

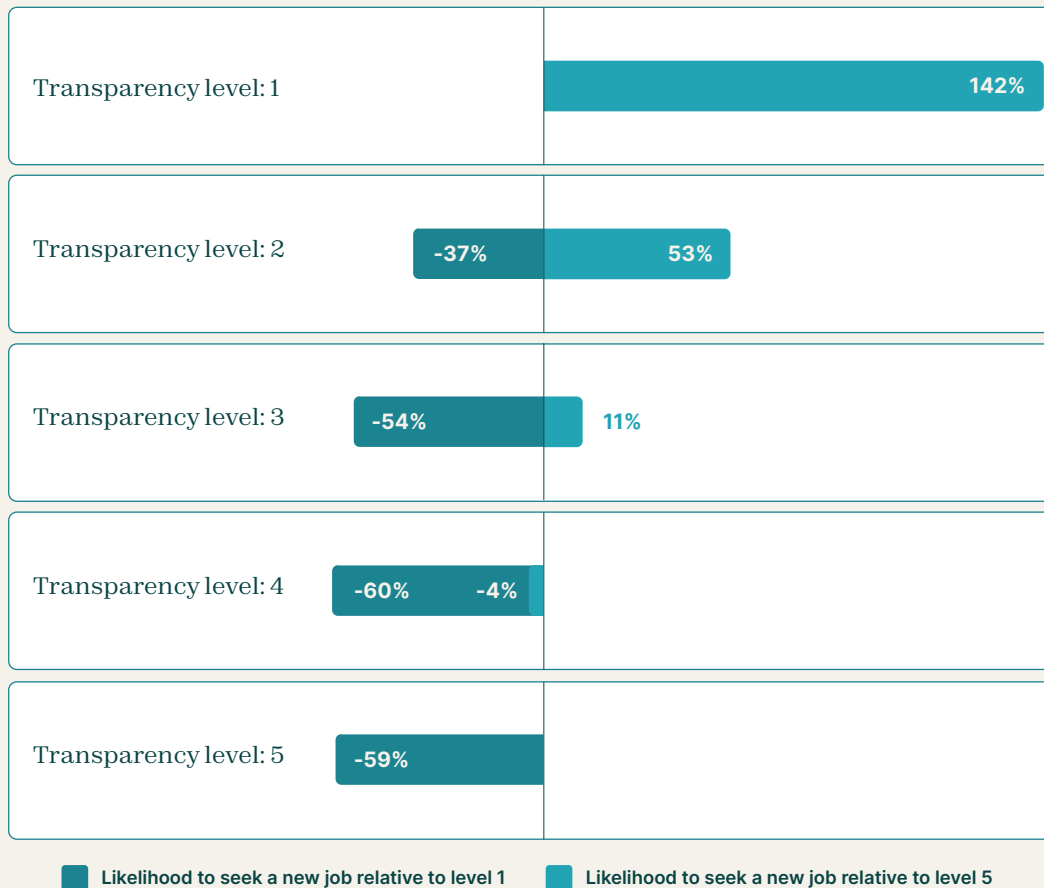


Pay transparency decreases intent to seek a new job.

We also compared transparency levels to the likelihood to seek a new job. Overall, we found that employees were more likely to leave non-transparent organizations compared to transparent organizations.



Likelihood to seek a new job increases as pay transparency decreases



Specifically, we looked at how the likelihood to seek a new job changes as organizations become more transparent by using a base transparency level of 1 versus 5. We found that employees who work for a very transparent organization (level 5) are 59 percent less likely to leave relative to a level 1 transparent organization. Alternatively, employees who work for a very opaque organizations (level 1) were 142 percent more likely to leave relative to a level 5 transparent organization.

Interestingly, a level 4 pay transparency slightly outperforms a level 5 pay transparency for intent to leave, which was also true in 2021. This may be because high pay transparency could be detrimental to pay perception. For example, high transparency may cause some employees to feel dissatisfied when comparing their salary to what other employees are making. Overall, though, pay transparency outperforms low pay transparency when it comes to attrition.

Best practices to create **confidence** in compensation

While misconceptions around pay decisions abound, compensation does not have to be an opaque process. Leaders who have confidence in their pay data, pay structures, and compensation strategy need to take the time to explain their methodology to employees.

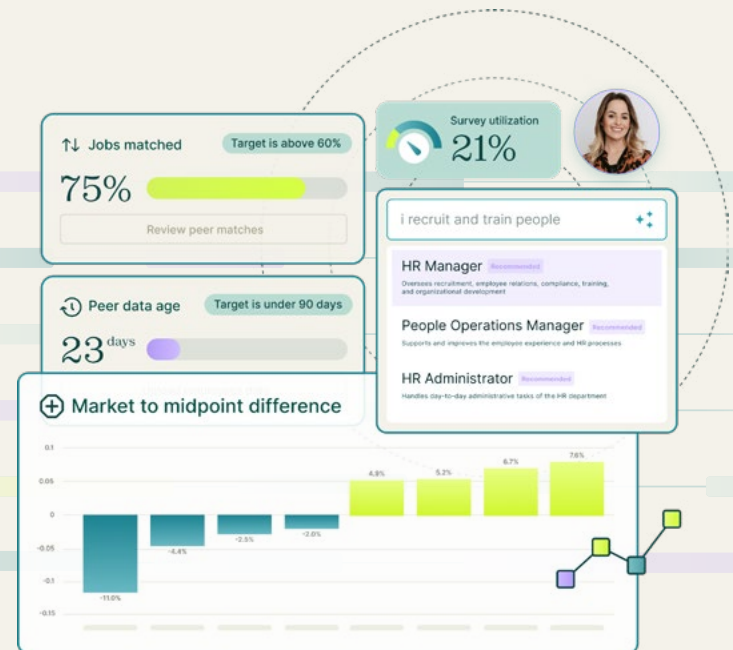


Pay communications can include everything from how pay ranges are developed to processes for giving pay increases, differentials, and rewarding performance. The goal is for employees to not only understand why their pay is fair, but ideally how they can increase their compensation and grow with the organization.

Payscale combines compensation intelligence, expertise, and technology to help you stay competitive with salary offers to attract and retain talent, explain compensation decisions, and support pay equity.

Ready for a solution?

Learn how Payscale can help you create confidence in compensation.



[Ask for a demo](#)

Methodology

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To determine impact of selected variables on retention, we employed binomial logistic regression where intent to seek a new job in the next 6 months was the dependent variable. The findings we report on retention impact are statistically significant. Market penetration was determined as a respondent's reported total cash compensation being above, at, or below the national median for their job and experience level.

Total Cash Compensation (TCC): TCC combines base annual salary or hourly wage, bonuses, profit sharing, tips, commissions, and other forms of cash earnings, as applicable. It does not include equity (stock) compensation, cash value of retirement benefits, or value of other non-cash benefits (e.g., healthcare).

Median Pay: The median pay is the national median (50th percentile) annual total cash compensation. Half the people doing the job earn more than the median, while half earn less.

Market Penetration: A respondent's pay relative to the market, which is based on the national median for their job and experience level. This has three potential outcomes:

Above Market: Defined as 10% or more above the national median for a given job and experience level.

At Market: Defined as within +/- 10% of the national median for a given job and experience level.

Below Market: Defined as 10% or more below the national median for a given job and experience level.

Poor Pay Perception: Respondents that think their current pay is below average compared to other employees like them (regardless of true market penetration).

Nominal wage growth: Wage growth not adjusted for inflation. Sourced from the Bureau of Labor Statistics (BLS).

Transparency Level: The level a respondent reported for their employer on the pay transparency spectrum (likert 1-5).

Base Transparency Level: To fully explore the relationship of pay transparency and retention, we establish base levels of transparency relative to the other levels. A base level of 1 measures the likelihood to seek a new job at levels 2-5, relative to 1. (i.e. - Respondents at level 5 are 59% less likely than those at level 1 to seek a new job)

About Payscale

Payscale stands at the forefront of compensation data technology, pioneering an innovative approach that harnesses advanced AI and up-to-date and reliable market data to align employee and employer expectations. With its suite of solutions—Payfactors, Marketpay, and Paycycle—Payscale empowers 65% of Fortune 500 companies to make strategic compensation decisions. Organizations like Panasonic, ZoomInfo, Chipotle, AccentCare, University of Washington, American Airlines, and PetSmart rely on its unique combination of actionable data and insights, experienced compensation services, and scalable software to drive business success. By partnering with Payscale, businesses make confident compensation decisions that fuel growth and build value for both their organization and their people.

Create confidence in your compensation. Payscale.

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