

Are you ready for the new reality of pay transparency?

In a world where employees increasingly know what salaries they can expect to earn at another company, and candidates are entitled by law to know the pay range for a job as they go through the recruitment process, the question facing business leaders and human resources executives is:

What story does your company want to tell employees, candidates and customers about how you pay?

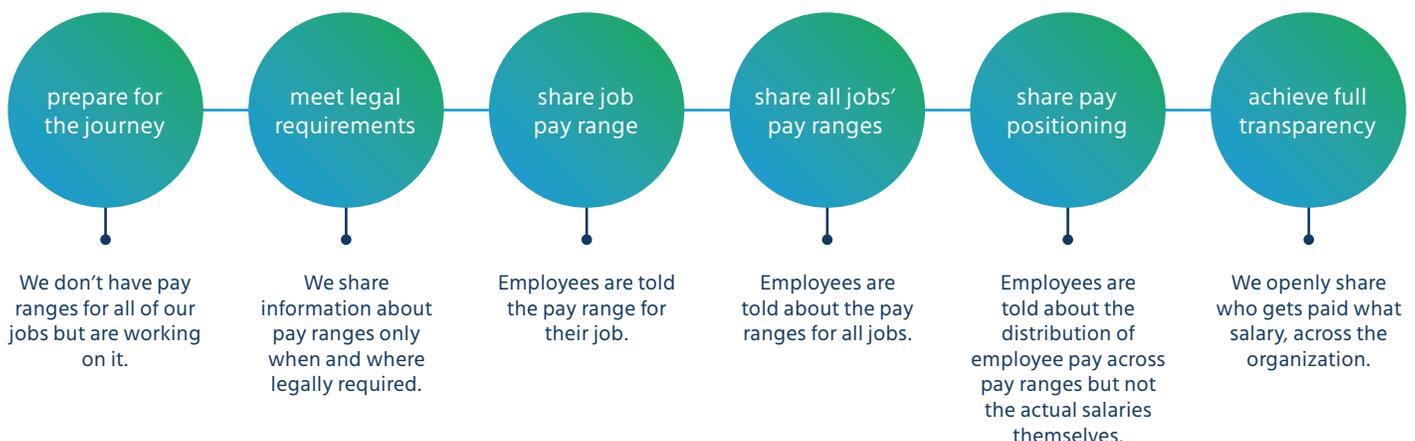
Being transparent on pay is a journey that depends on where your organization is starting from and your company culture.

Early stages of the journey likely involve sharing the pay range with incumbents of that job. This allows employees to understand how their earnings compare to the range of pay for their roles. Later stages might take the form of openly sharing pay information, as organizations like [Buffer](#) do, on the company website. Today, avoiding pay transparency completely just isn't an option.

That said, pay transparency is a tricky area to navigate. A range of issues can complicate the ways in which companies may decide to tell their stories:

1. Some state legislation entitles candidates and employees to information about the pay for the positions they're applying for or being promoted into. These are usually part of [state pay equity laws](#), such as those in [Washington](#), [Colorado](#) and [Massachusetts](#), to name a few.
2. Sites like PayScale make pay data publicly accessible with a level of detail way beyond the most basic of compensation surveys, while sites such as Glassdoor and Quora make it easy to share and discuss pay information.
3. Competitive labor markets are putting a spotlight on the employee value proposition, making companies realize they can no longer be silent about such a major issue as pay. "Trust us" is not a reasonable answer to questions from candidates and employees about remuneration.

Simply put, the truth — or some version of it — is out there, whether companies like it or not.



Why is pay transparency important?

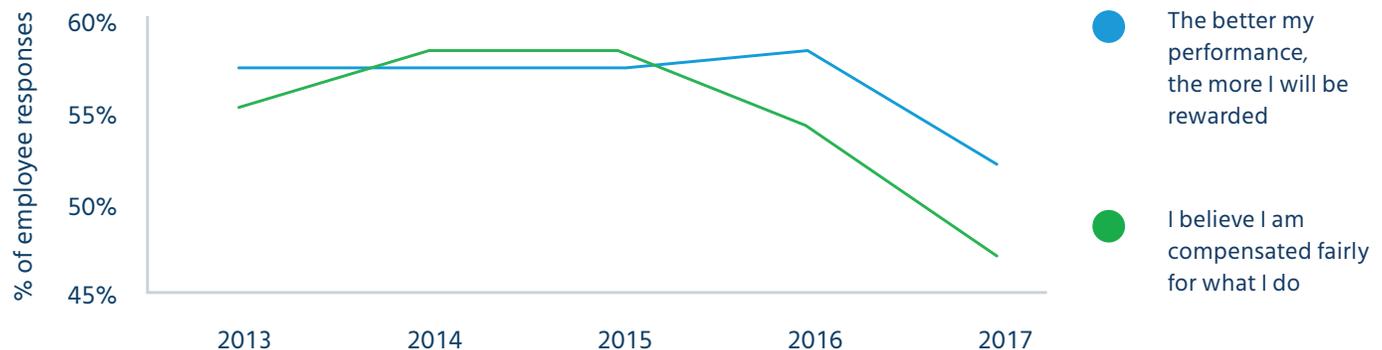
First, it matters to business. A lack of equitable pay gets in the way of achieving the workforce diversity needed for businesses to thrive in today's economy. Pay transparency goes a long way toward holding companies accountable for pay decisions.

Second, it matters to employees. Only 19% of employees in the US — compared to 22% globally — give their company an "A" grade for equity in pay and promotion, according to our [2019 Global Talent Trends](#) study. In addition, during the past five years, employee perception of fair pay has fallen from 57% to 52%, according to our analysis of employee satisfaction data.

Third, compensation information isn't something your company's compensation department controls anymore. Phrases like "the survey data says" are no longer the end of the story. The digitization and democratization of compensation and career information have made it incredibly easy for employees to develop their own perceptions about their pay. Therefore, a story will emerge about pay transparency whether you like it or not.

In the end, your employees and prospective hires are already talking about your organization's pay philosophy. They are making decisions about whether or not to work for or stay with your company and, if so, which job to apply for or which career move to make based on what they know about your pay levels. Accordingly, managing that narrative requires some proactive steps in this new transparent reality.

Employee satisfaction with rewards



Source: Mercer | Sirota

Get started on your pay transparency journey

Adapting to the new world of pay transparency has more upsides than downsides for employers. But it requires that business and people leaders accept the reality of this new world, letting go of traditional views and long-held beliefs about what employees need to know and what employers can control.

Here are six questions to consider as your company continues its journey toward pay transparency:

1. Where are you on the journey?

Start by looking at how much you communicate today and the rationale behind the way people in your organization are paid. Do your practices vary state to state or department to department?

2. What is the pay story you want to tell?

How does your pay reflect your brand? What information are you going to share and why? Do you want to be able to talk with employees about career paths? Are you doing this for employee retention purposes, to be an employer of choice for new hires or both?

Perhaps it's all of the above. So how transparent do you want to be? You might only want to share pay ranges for job families or specific jobs or choose whether to share information primarily on an internal basis or purposefully share it on an external basis.

3. Do you have solid foundations?

Take a closer look at your company's jobs and salary structures. Do you have jobs defined by the skills required and up-to-date salary structures to support paying competitively? If so, you now need to conduct robust statistical analysis to understand whether or not people are being paid equitably within expected norms and account for relevant factors, such as different locations, job families and years of experience.

4. What changes do you need to make?

There are a few options for what your transparency strategy might look like (these strategies are not mutually exclusive).

Career-focused pay transparency: enables career conversations between managers and current employees by helping people understand pay positioning and pay ranges for what's ahead of them on their career paths.

Skills-focused pay transparency: supports learning and development by helping people understand the pay ranges for jobs within the organization, so they can acquire the skills to move along the pay range and/or qualify for other jobs within or across departments.

Externally focused: uses compensation information to create an externally facing value proposition for attracting and retaining talent.

5. How will you tell your story?

Make sure your employees know of any changes to your pay practices and policies on your journey; be proactive about this. Connect it to your brand through external messaging and success stories around pay equity. Also link it into recruiting communications as well as everyday support for managers conducting performance reviews and holding career conversations with their teams.

Digital technology platforms are essential for helping employees look up salary ranges and explore careers and would be the single source of truth for communicating pay data.

6. How will you test and measure impact?

HR leaders can use a range of metrics to gauge effectiveness of new initiatives. If you'd rather keep it simple, you can use measures of employee sentiment gleaned from employee engagement surveys. If you'd rather be more accurate, use statistical modeling to gauge whether your employees' perceptions of being paid fairly were predictive of turnover to enable more accurate dialogue.

Ask yourself why candidates are interested in working for your organization, why employees decide to stay and if there are other connections between compensation transparency and high-level outcomes.

Pay transparency is here to stay

Being open about pay can help your organization build trust and strengthen its relationship with your employees in a way that enhances your brand and, ultimately, your business success. Transparency also gives managers the knowledge they need to have more constructive career development conversations with their employees — a critical step in retaining top talent.

If your organization is not taking proactive steps now to become more transparent about pay, you risk falling behind and having the message created for you. Our [2019 Global Talent Trends](#) study found that 20% of US employees say they would leave their current company because of competitive compensation, yet only 6% of HR leaders say competitive pay is why employees leave. Now is the time to make sure you tell your story.

Adapting to the new world of pay transparency has more upsides than downsides for employers. Business and people leaders must accept the reality of this changing commercial landscape and work to change mindsets and shift culture.

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