

Responding to Pay Transparency

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On November 1, New York’s new law on greater pay transparency will take effect. As transparency requirements now vary across the United States, many companies are considering how to manage the changes at a city, state and nationwide level. The work requires defensible pay structures, sound performance management practices, clear career pathways, and transparent communication.

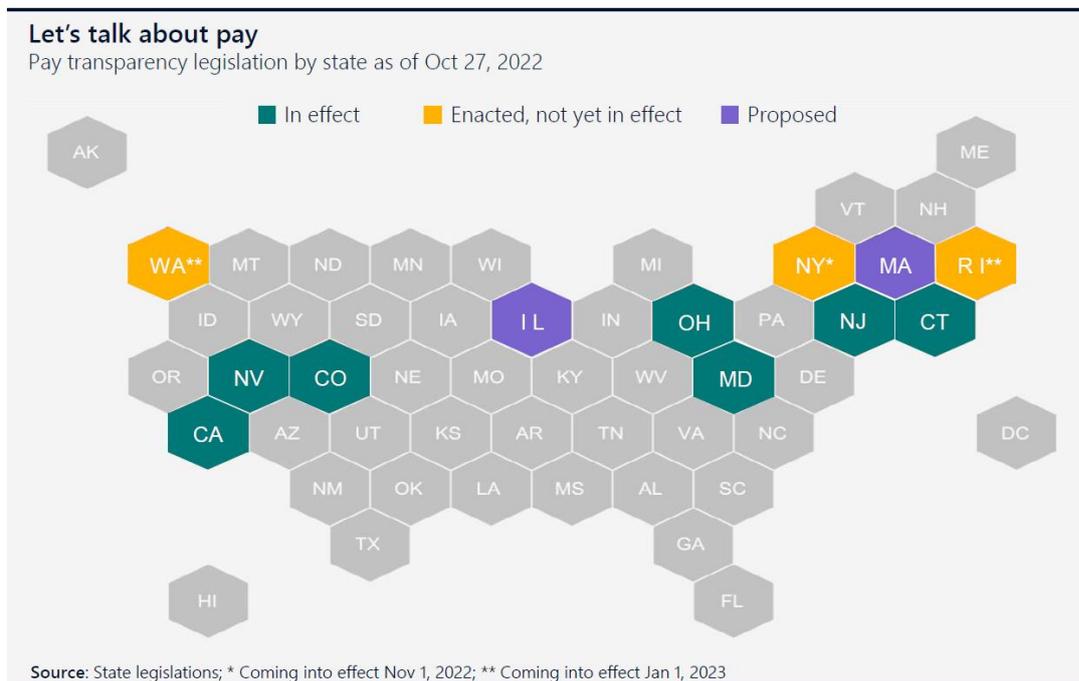
How we got here

Pay transparency is a step toward pay equity, addressing the gender pay gap, and identifying and tackling other systemic biases. Up to now, few corporations have provided comprehensive pay bands or salary information within job descriptions.

Today, pay shows up in just 25-30% of U.S. job listings on LinkedIn.

According to [Glassdoor](#), employees want more transparency from their employers. 34% of employees say they feel a lack of clear, transparent communication in general. Meanwhile, 49% of companies say they don’t have a well-established pay equity plan, and 46% percent admit they have not been transparent with employees.

However, a wave of rules and pending legislation on pay transparency at the state level is changing the landscape for corporations across the United States.



How companies are responding

For companies operating nationwide, the conversation on disclosure has changed from whether or not, to when and how. To retain workers, many employers are resetting their pay strategies and increasing their salary budgets for 2022 and 2023.

As more states join the discussion, companies are considering whether it is administratively easier to act as if the most restrictive laws apply nationwide, especially with the increased popularity of remote work.

Companies which struggle with transparency say they worry about possible negative employee reactions, administrative complexity, lack of clear job architecture and potential salary wars over in-demand roles.

That said, the percentage of companies conducting pay equity analysis and disclosing their data has increased by double-digits year over year, according to [Just Capital's report](#). The leaders on pay transparency are approaching it in a number of ways:

- Listing all employee salaries on external facing communications materials.
- Offering an internal employee database to look up salaries, and giving candidates insight on career paths and average salaries.
- Conducting equal pay analyses and reporting the findings, either proactively or upon request.
- Proactively reporting on pay transparency nationwide.

Preparing for the opportunity

As transparency requirements increase, companies that focus on the employer-employee relationship and articulate a strategic vision around pay will likely see long-term improvements in recruitment, retention and company morale.

There are short-term risks, including employee unrest, claims of pay discrimination, and tension around the gap between senior executive and median employee compensation.

However, a successful communications strategy will integrate the legal, investor relations, employee communications, external communications and media relations functions. It will provide clarity about:

- Where your company currently falls on transparency and where you want to be.
- Pay philosophy that aligns with talent strategy and culture.
- Using market data to set salaries.
- Action on addressing any biases and clearly defined roles and expectations.
- Training leaders and managers to engage in discussions in the broader context of DEI.

What our partners are seeing

Compensation means more than just pay

- "We have already seen a focus on the discrepancies between CEOs and employees. With transparency, we'll see more layers of data and analysis on gaps. Added pay data will quickly bolster the need for companies and leaders to explain their more holistic employee experience story including compensation and benefits, but also their unique value proposition - beyond the dollar."
- *Rebekah Metts-Childers, Partner and Head of Employee Engagement Americas.*

Transparency does not equal equity

- "Pay transparency does not necessarily mean pay equity. From day one, there won't be equity. So first and foremost, companies need to be clear about the fact this is a journey, and how the path is aligned with work being done in key DEI issues like the gender pay gap and equity for underrepresented groups. This need is not new – but it has to fit into the business, talent and DEI strategy."
- *Deepali Bagati, Partner and Head of DEI.*

Global implications

- “While the current disclosures are within the US, there are global implications. And they don’t change employees’ basic requirements of pay communication. Employees want to know their pay is determined fairly based on their performance and compared with similar roles in their company. That it’s competitive when compared with the external talent market. That its composition – the employee’s total reward – is clear and easy to understand. And that they have an equitable opportunity to progress in their careers, position and pay.”

- Nick Howard, Partner and Head of Employee Engagement Europe.

Next Steps

Be clear on purpose

Messages on pay transparency aren’t enough. Your compensation narrative – which speaks to your pay philosophy but also the broader benefits of the employee experience – will serve you in the longer term. While the transparency that you’re planning for may be mandated, it is important to recognize where it can support your greater purpose.

Recognize that this will take work

Whether you decide to establish a nationwide strategy or to address the city and state mandates as they come, a planned cadence for how each of those changes gets communicated needs to be established and activated. Prepare your leaders – not just those in the impacted states, but those across the entire organization – to answer some of the difficult questions or know where to direct those asking. Make information about the changes transparent and easy to find for employees.

Know where and how your competitors are leading

This is a chance to assess and understand where you fall compared to your industry and competitors and to develop strong internal messaging and external campaign content for recruitment. As transparency becomes more widespread, companies have a chance to tie it to their larger purpose, employee value proposition, and corporate values.

Support your managers

Education of those involved in performance management and compensation decisions is critical, as pay transparency laws reinforce the importance of comprehensively documenting workplace realities such as performance and the other factors discussed above. Talk regularly with your employees about your methodology for determining pay and the steps you’re taking to make it as fair as possible.

Prepare for risks across your stakeholder groups

Thinking about the likely responses from your stakeholder groups will help ensure you are prepared to react when and where needed. This includes establishing tracking and planning for response to actions taken by investors, employees, and media.

Keep an eye on Washington

Pay and executive compensation is a favorite issue for politicians. Good relations with trade groups and federal and state legislators will be invaluable. Companies should be aware of legislation arising as a result of these changes, and track its progress.

Brunswick Employee Engagement brings an outside-in lens to your larger compensation narrative and strategy. Beginning with a review of the competitive landscape and current messaging, we are partnering with our clients to track the local and global changes, offer insight on how other companies are responding, and craft powerful content for leaders and employees to address the changes.

To continue the conversation:

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