

## Pay Transparency

Pay transparency is a hot topic these days. Several trends encourage organizations to be more transparent around compensation. These trends include younger generations who are accustomed to the openness of social media, a focus on pay equity, and the increasing availability of compensation information on sites like glassdoor.com and salary.com.

Before jumping on the pay transparency bandwagon, it's important to think about how much transparency is appropriate for your organization and what the impact of increased transparency may be within your organization.



The amount of pay transparency that is appropriate for your organization will depend upon a number of factors, including your culture, the extent to which your compensation practices are formalized and consistent, and the degree to which managers feel capable of having conversations about compensation.

### QUESTIONS TO CONSIDER

1. Is your organization transparent in other aspects of the business? For example, are organizational goals and performance against those goals widely communicated?
2. Are formal compensation practices used consistently across the organization?
3. Are managers educated and equipped to explain compensation processes and decisions?

Finding the right level of pay transparency can be challenging. Complete transparency, including individual salary levels, can have unintended negative consequences. For example, some organizations with total pay transparency have experienced increased turnover and lower morale from employees who realize their compensation is below that of their peers.

A complete lack of transparency can also be problematic, as it leaves room for employees to create their own stories about how compensation decisions are made. This can sow distrust as employees may assume ill intent based on the lack of information shared.

The table below provides a spectrum of pay transparency. Organizations that want to increase their level of transparency can use this spectrum to identify the next level of compensation information to share.

Level	Component	Description
Basic	<b>Philosophy</b>	Share the organization's compensation philosophy and goals, including items such as the organization's target relationship to the market and the role of variable pay.
	<b>Process</b>	Share the process through which compensation data are gathered and decisions are made, including how market data are collected, how jobs are assigned to a salary range, and when and how salary increases are determined.
Moderate	<b>Salary Ranges</b>	Share with individual employees the salary range for their job, or go further and share the full salary structure with all employees, including the job titles in each salary grade.
	<b>Compa-Ratios</b>	Share compa-ratios with employees and provide education on how compa-ratios are used in compensation decisions.
Fully Transparent	<b>Average Salaries</b>	Publish information on average or median salaries by job title or level within the organization.
	<b>Individual Salaries</b>	Publish individual salaries for all employees.

## PULSE SURVEY OBSERVATIONS

Twenty-one Foundations Consulting clients participated in the July Pulse Survey on communicating compensation. Eighty-five percent of survey respondents indicated they share their compensation strategy or philosophy, with 70% indicating they share with employees the salary range for their own job. Fifty percent of surveyed organizations share the employee's compa-ratio with each employee. Fewer than half of the survey respondents share other aspects of compensation.

Approximately a third of respondents indicated that they have increased the amount of compensation information provided to employees over the last five years, with another third indicating they are considering future changes to their compensation communication practices.

## BEST PRACTICES

Wherever your organization is on the spectrum of compensation transparency, Foundations Consulting recommends the following best practices:

1. Periodically assess whether additional transparency is possible and appropriate
2. Educate and coach managers on the compensation philosophy and processes so they are equipped to talk to employees about compensation
3. Check with employees to confirm their level of understanding of the compensation philosophy and their compensation
4. Address misunderstandings and modify messages as needed

For more information on pay transparency and how Foundations Consulting can help you make your strategy a reality, contact Beth Ostrem at 651-282-8718.

## Meet the Foundations CONSULTING TEAM



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