



The definitive guide  
to pay transparency.

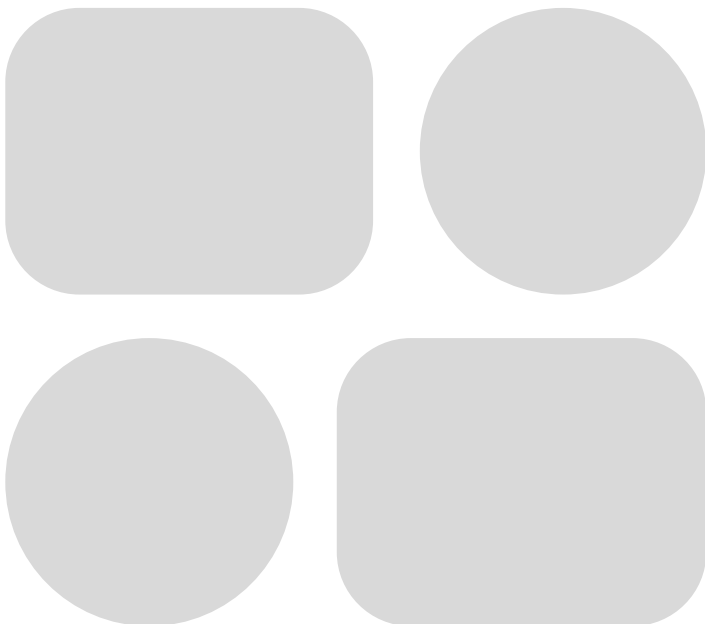


# When it comes to managing people, it pays to be transparent.

Pay transparency is the degree to which employers are open about what, why, and how employees or candidates are compensated.

Previously, compensation was a tightly-kept secret, shared like arcane knowledge only between leadership and management or management and individual employees. Sharing amongst the rank and file was discouraged (even if protected by federal law). Candidates had to do research themselves to determine what the potential compensation was for a specific position.

But times are changing, and pay transparency is reversing all of those antiquated practices – and it matters.



# Why pay transparency matters.

To put it simply, pay transparency is important because attracting and retaining talent is critical to the success of your business, and adopting more transparent practices is quickly becoming an expectation among employees. A recent survey found that 98% of workers are in favor of greater pay transparency.

With pay transparency, employees can ensure that they're being paid fairly. Employers can build trust with employees and candidates. And companies can attract top talent because there's no uncertainty about how competitive their compensation is.

98% of workers are in favor of greater pay transparency

Source: Monster



98%



80%

80% of workers say they're unlikely to apply for a job that doesn't list a salary range

Source: Monster

That last point – competitiveness – is key, because all companies need to retain their top talent. If top employees and your preferred candidates can't feel confident that they're getting maximum value for their contributions, they'll gladly go elsewhere.

Beyond the dollars and cents of recruiting and retention, pay transparency contributes to fair and equal pay and increased employee happiness. (And it keeps you on the right side of the law; more on that later.)

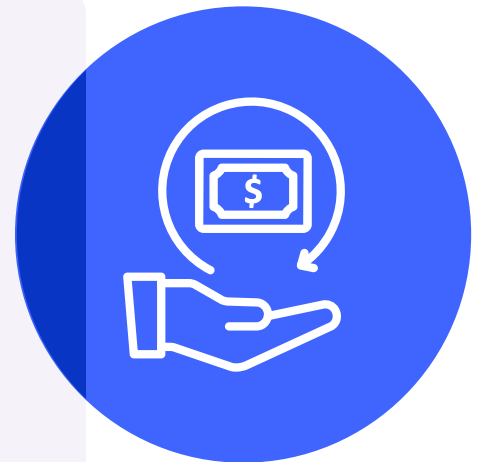


# Data shows that pay transparency is no longer optional.

Equal Pay: Studies show that the average female employee makes 82 cents to every dollar paid to the average male employee, even though they both perform the same job within the same company. But that's just for the average total compensation. When it comes to equity, an important part of comp packages today, the Pave Data Lab found that female software engineers make just 64 cents on the dollar compared to their male counterparts.

## Total compensation:

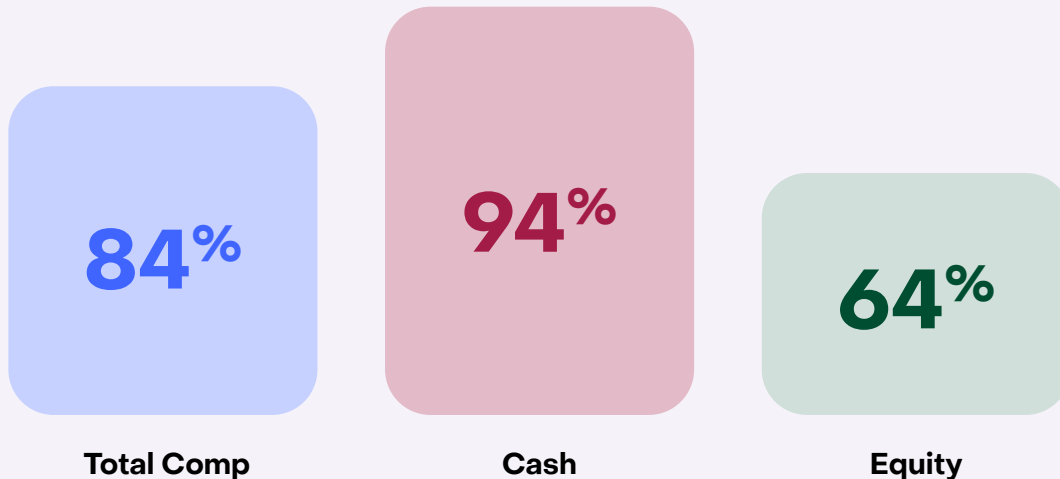
- Salary
- Equity
- Bonuses
- Commissions/Variable
- Benefits
- Travel/Meal/Housing Allowances



AnnElizabeth Konkel, an economist with Indeed, said:

*“Across the board, salary transparency does help eliminate those asymmetric information problems that can contribute to the gender wage gap, racial wage issues, and the labor market. At the end of the day, we do want a labor market that is fair and equitable for everybody.”*

# The real inequity is in equity.



Female compensation as a % of male.

Source: Pave

Pay transparency isn't a golden bullet solution for pay equality, but it's a fundamental step in the right direction.

### **Employee happiness and productivity:**

Studies have shown that pay openness contributes to higher job satisfaction, which is directly related to job performance and productivity. In 2014, one researcher found that being transparent about pay led to a [10% boost in work output](#).

**Employee retention:** When workers aren't happy with their pay – or it's perceived as unfair – they're more likely to leave. But it's not just about more compensation; only 24% of people who leave a company point to compensation as their main reason if they perceive they're being paid fairly.

Retention is a big deal, too. One study found that [over 60% of HR professionals](#) peg cutting attrition as their single-most important task.

**Recruiting:** Put simply, candidates want to know more about how they'll be paid. One survey by Talent.com found that [53% of respondents](#) said they wouldn't apply to a position if they didn't have pay transparency. If they don't believe the pay is competitive, they'll look for other opportunities.

There's one more important reason why pay transparency matters, and that deserves its own section: in many places in the country, it's the law.



# Exploring pay transparency laws by state.

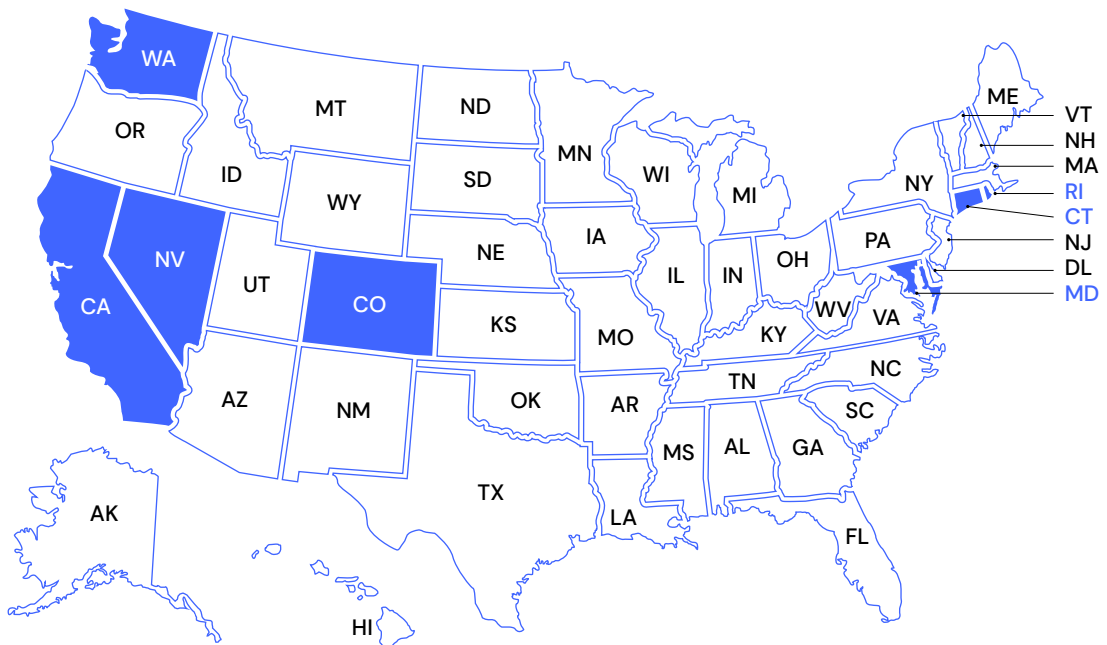
Historically, employers could decide how transparent they were with regards to pay.

California made waves in 2016, however, when it put into effect the nation's first state-level pay transparency law. Since then, more states and cities are placing increased demands on employers to institute pay transparent policies. As this is an ever-changing landscape, keeping in close contact with your legal team or outside legal counsel can help set your company up for success.

## Pay transparency laws across the US

Seven states have a pay transparency law that is in effect or will go into effect by 2023.

-  States with pay transparency laws
-  States without pay transparency laws



Source: Bloomberg Law.

As of June 3, 2022, the states that have passed a pay transparency law either have the law in effect or expect the law go into effect in the next year.

The following is a breakdown of the law in all states that have or are enacting pay transparency legislation.

## **California**

Starting Jan. 1, 2023, California’s pay transparency law requires any employer with 15 or more employees to “include the pay scale for a position in any job posting. In addition, employers must provide the pay scale to any third party that they use to announce, post, or publish a job posting. The third-party is required to include the pay scale in its announcement, posting, or publication of the job posting”.

Employers who fail to comply could receive a penalty of \$100 – \$10k per violation.

## **Colorado**

Under Colorado’s law, which went into effect in 2021, employers are “required to disclose within the job posting the hourly or salary compensation, or a range of hourly or the salary compensation, and a general description of all of the benefits and other compensations to be offered to the applicant if hired. The compensation range may extend from the lowest to the highest pay the employer in good faith believes it might pay for the particular job.” Failure to comply may result in a \$100 fine for each day non-compliance continues, and/or a fine of \$500-\$10k per violation.

## **Connecticut**

Connecticut’s pay transparency law, which was also enacted in 2021, requires employers to disclose to employees and applicants the salary ranges for positions. The employer must disclose the salary range to applicants, either upon the applicant’s request, or before a formal job offer is made. In the event of non-compliance, employees or applicants may bring an action in court against the employer.



## **MD** Maryland

Maryland's Equal Pay for Equal Work act, which was originally passed in 2016, requires employers to provide the salary range for a position upon a candidate's request, and says employers "may not prohibit an employee from inquiring about, discussing, or disclosing their wages or that of another employee, or requesting that the employer provide a reason for why the employee's wages are a condition of employment." If an employer violates the Equal Pay for Equal Work act, an affected employee "may bring an action against the employer for injunctive relief and to recover actual damages, and an additional equal amount as liquidated damages."

## **NV** Nevada

Enacted in 2021, Nevada's pay transparency law requires employers to share a pay range with applicants who have interviewed for a position. Upon request, they must also share this information with employees seeking a promotion or transferring to a new position.

## **RI** Rhode Island

Starting in 2023, employers in Rhode Island must provide a wage range for a given role to applicants or employees upon request. Absent a request, the law says an employer "should provide a wage range for the position." The employer must also inform an employee of their wage range when hired or moved into a new position.

**NY**

## New York State

New York State's proposed pay transparency law stipulates that employers must "include the compensation or a range of compensation for such job, promotion, or transfer opportunity within any advertised job posting." Failure to comply can result in a fine between \$2.5k - \$5k per violation. Note that, while this legislation has passed the New York State legislature, it has not yet been sent to the governor's office for approval. If approved, the law will go into effect 270 days after it is signed into law.

**NY**

## New York City

Although New York State hasn't yet passed its pay transparency law, New York City's pay transparency law went into effect on November 1, 2022. Under the New York City law, all employers who have four or more employees "must state the good faith minimum and maximum range they believe they are willing to pay for the advertised job, promotion, or transfer opportunity. The range can not be open ended and must be a clear minimum and maximum." If an employer fails to comply, they may have to pay monetary damages to the affected employees. Employers may be required to pay up to \$250k for uncured first violations, as well as for any subsequent violations.

**WA**

## Washington State

Also starting in 2023, Washington's pay transparency law requires an employer with 15 or more employees to "disclose in each posting the wage scale or salary range, and a general description of all of the benefits and other compensation to be offered to the hired applicants. The range cannot be open ended (e.g., 'up to \$30k')." It also makes it mandatory for an employer to provide a wage scale or salary range upon an employee's request if they are offered an internal transfer or promotion.

In the result of non-compliance, an employer may be ordered to pay damages to employees, as well as a penalty to the Department of Labor between \$500 (for the first violation) or the greater of \$1k or 10% of the damages for the second violation.

## Pay transparency laws in other states

While no other states require employers to provide salary ranges to candidates, a handful of states have laws requiring employers not ask candidates about their salary history as a means to determine pay or prevent them from discussing pay. States with some version of these laws include:

- **Alabama**
- **Delaware**
- **Hawaii**
- **Illinois**
- **Maine**
- **Massachusetts**
- **New Jersey**
- **Oregon**
- **Vermont**

Aside from New York City, additional jurisdictions that have some form of legislation around pay transparency include:

- **Cincinnati, OH**
- **Toledo, OH**
- **Atlanta, GA**
- **Chicago, IL**
- **New Orleans, LA**
- **St. Louis, MO**
- **Kansas City, MO**
- **Pittsburgh, PA**
- **Salt Lake City, UT**
- **Louisville, KY**
- **Jackson, MS**

	Who's affected?	Ranges on JD's?	Disclosure of pay range to employees?	Other reporting requirements?	Fines
<b>California</b>	Employers* with 15+ employees	Required	Required upon request	Yes	\$100-\$10,000 per violation
<b>Colorado</b>	All employers*	Required	Not covered in this law	Not covered in this law	\$100+ each day of violation, or \$5k-\$10k per violation
<b>Connecticut</b>	All employers*	Not required on JD's but required upon applicant request or before job offer is made	Required upon request	Not covered in this law	Not covered in this law
<b>Maryland</b>	All employers*	Required once an interview for the role is conducted	Required upon request	Not covered in this law	Varies
<b>Nevada</b>	All employers*	Required upon request	Required upon request	Not covered in this law	Up to \$5k
<b>NY (State)</b>	All employers*	Required	Required for internal job transfers or promotions	Not covered in this law	\$2.5k-\$5k
<b>NY (City)</b>	Employers* with 4 or more employees	Required	Required for internal job transfers or promotions	Not covered in this law	Monetary damages to employees & civil penalties for non-compliance
<b>Rhode Island</b>	All employers*	Required upon request	Required upon request	Not covered in this law	\$1k-\$5k
<b>Washington</b>	Employers* with 15+ employees	Required	Required for internal job transfers or promotions	Not covered in this law	\$500 or actual damages to the complainant & additional civil penalties may apply

The message is clear: pay transparency isn't a passing fad. It's a movement that'll spread until a majority of states have regulations on the books.

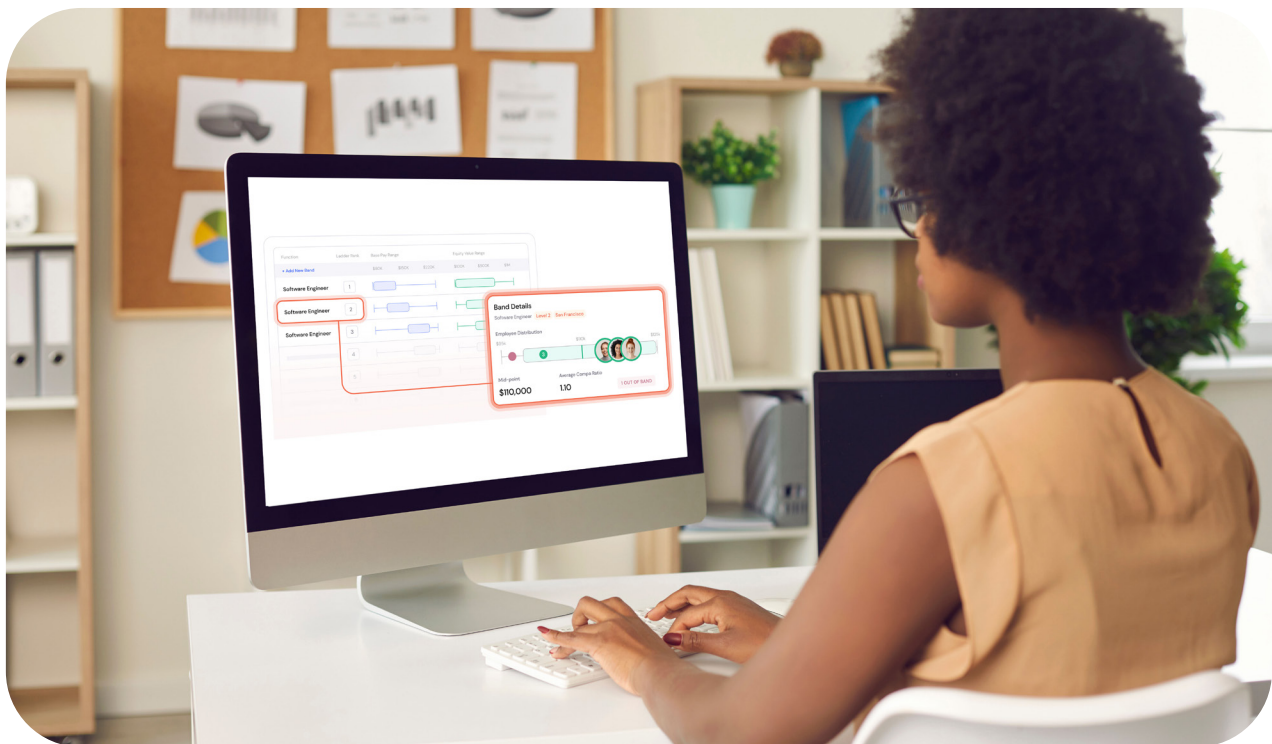
\*Definitions of what constitutes an "employer" vary by state. You should refer to local regulations and consult legal counsel to understand if this applies to your company.

# How you can prepare for pay transparency.

The challenge that many People leaders face isn't whether or not they should share this information with employees and applicants. Rather, it's having enough time to prepare and operate before they can make compensation data available to employees and applicants.

Specifically, they need time to create compensation bands for roles, update those bands to align with industry rates, and put them into a format where they can share that information securely.

To help, we put together a checklist to guide you through the pay transparency process so your organization is compliant with regulations. This exclusive checklist is also a proactive way for you to meet a changing market.



# Pay transparency checklist.

## Set up your compensation foundation

**Create your compensation philosophy:** Document information about how/why compensation decisions are made:

How pay ranges differ by level/title

How pay ranges differ by geography

How you determine what you pay within a range

How you handle comp increases (merit cycles, promotions, equity refreshes, etc.)

Prepare explanations on how/why your range might differ from other companies

### **Establish what roles you need compensation bands for**

Break out by department or business unit

Include how positions are categorized and prepare for new positions you plan to add in the future

Make sure to meet all relevant regulatory requirements for reporting

### **Build your compensation bands**

Define the percentile you want your band mid-point to be using benchmarking data (i.e. comparative compensation data from other companies that tells you the market rate)

Create mid-points for departments, levels, and locations (or output as an alternative)

Calculate the minimum and maximum for your compensation bands using a set percentage (e.g. 15%) to create an upper and lower band

### **Match each employee to the compensation band**

Compare actual compensation to theoretical compensation by using range penetration (a single number that tells you how far into the band the employee's compensation is) and comp ratio (a single number that calculates individual employee compensation relative to the midpoint)

# Educate your team about compensation

## **Create educational material for compensation review or merit cycles**

Include details about when the process will begin and how long it should take

Schedule a regular review (annual or more frequently, depending on your needs)

## **Establish communication guidelines regarding compensation**

Include what can and cannot be shared, asked, or disclosed

Outline communication responsibilities for managers, recruiters, and employees

Create a frequently-asked questions (FAQ) that employees and managers can easily access

## **Create a central compensation management platform to store and communicate compensation information that's accessible to employees**

Ensure all relevant parties have access

Make sure the platform has a reporting function so you can easily export and organize relevant data

# Start sharing compensation details externally

## **Include required information in every job requisition**

Clearly document where the job lies within your company's organizational structure, the internal job description, and the total compensation band with minimums and maximums

## **Craft an external job posting template**

Include language that meets all relevant state disclosure requirements

Make sure there are sections that you can edit for all required compensation information (e.g. salary range and any other benefits)

# Review your compensation to ensure pay fairness

## **Review your team's compensation regularly**

Create a policy and schedule to routinely keep track of pay equity across your company

Use EEOC reporting criteria as a way to stay ahead of regulations

## **Maintain a database that documents your company's compensation history**

Include individual employee records that detail job titles, descriptions, wage/salary rates, compensation structure, and total compensation earned for the duration of that individual's employment + three years

Preparing for pay transparency is all about planning and communication. Make all resources easily available to all parties, and you'll stay ahead of regulations and reap the benefits that pay transparency offers everyone.



# How Pave can help.

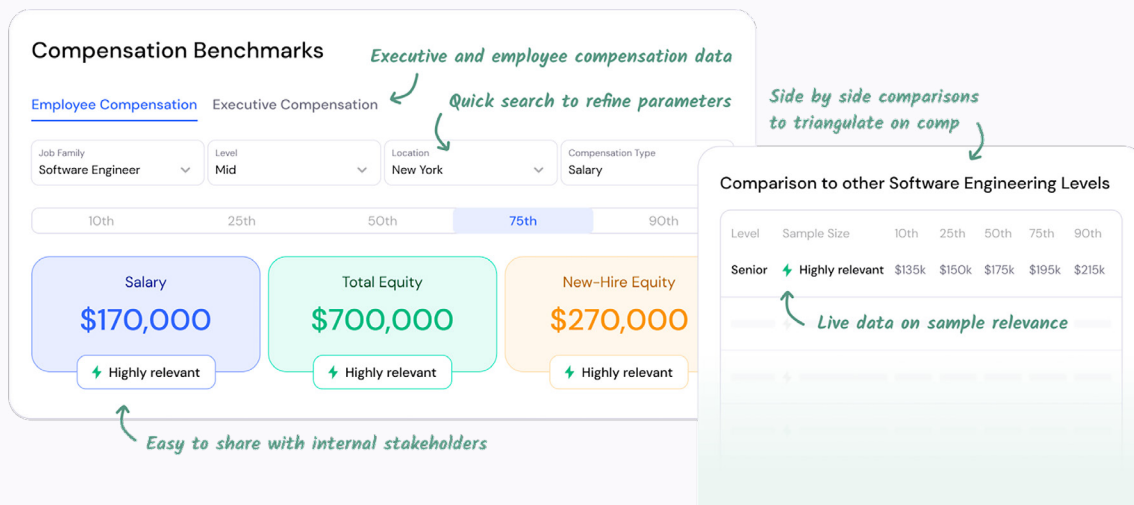
Pay transparency can be daunting, and adapting to this new paradigm can be difficult.

That doesn't mean you have to do it alone, though – and it definitely doesn't mean you have to drown yourself in spreadsheets to keep track of all the essential information you'll use to govern compensation.

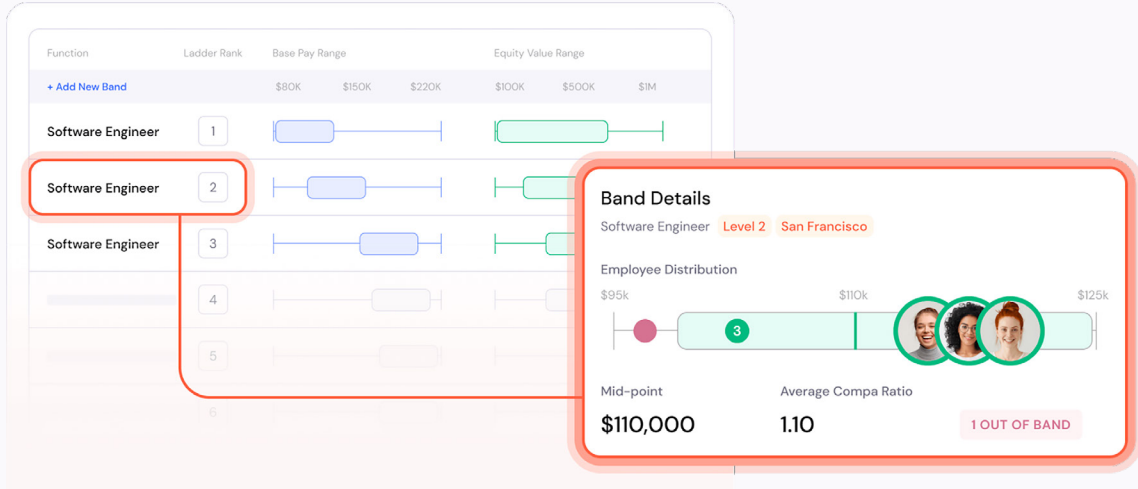
Pave is a compensation management platform that's designed to help People leaders make data-driven compensation decisions.

**Powered by real-time integrations with your HRIS, ATS, and Cap Table, Pave enables:**

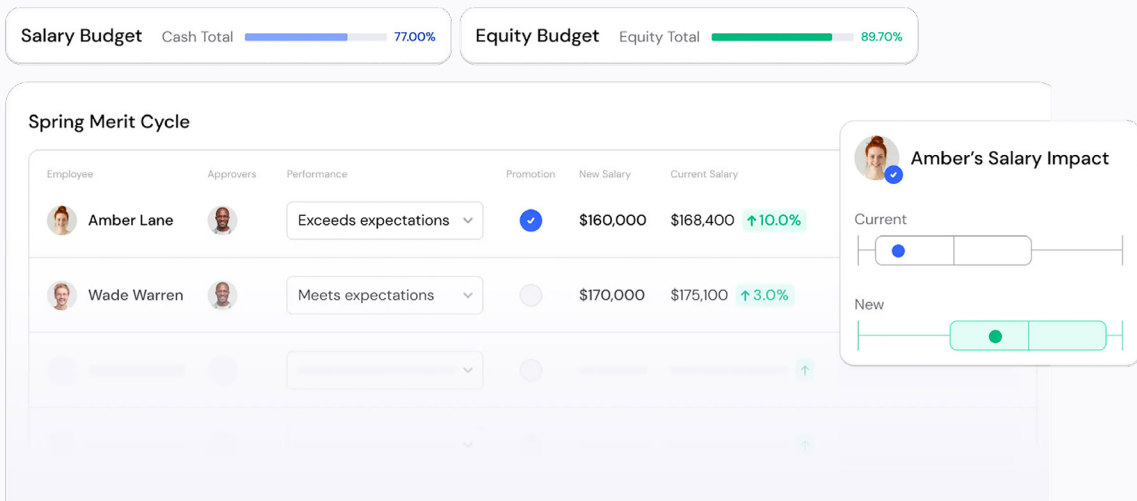
**Real-time benchmarking** – ensure that you're compensating your employees in a way that's in-line with other similar companies.



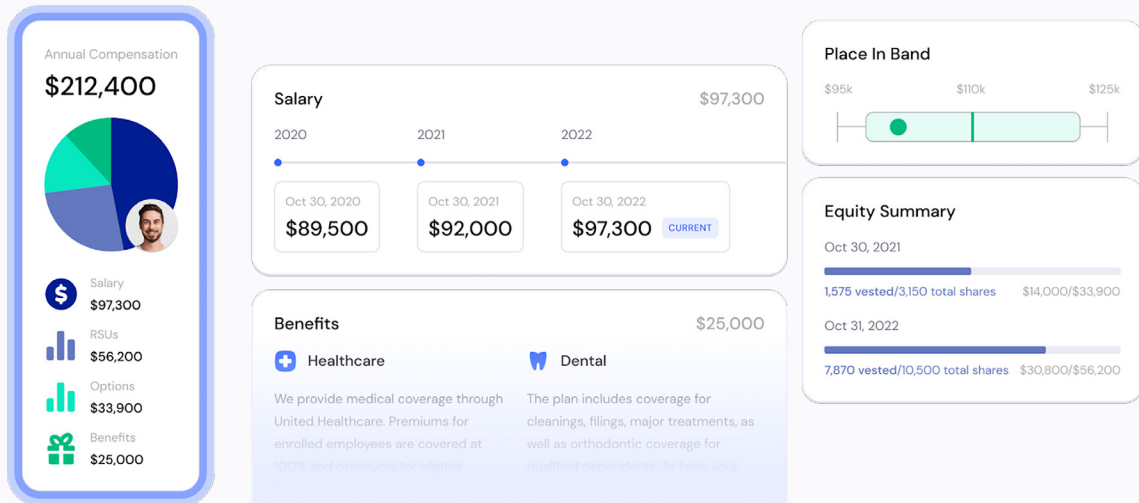
**Compensation band management** – build, edit, analyze, and share your compensation bands at scale – all in one centralized place. Easily determine if any employees are out of bands and make adjustments accordingly.



**Data-driven compensation planning** – run data-driven merit cycles that are rooted in pay fairness, aligned with your budget, and based squarely on your compensation philosophy.



**Total rewards statements & visual offer letters –** communicate total compensation to employees (via a total rewards portal) and candidates (via visual offer letters) to ensure you're sharing the information that candidates and employees expect – and that states mandate.



Preparing for pay transparency can be challenging, but it's a challenge every People leader must meet. Now is the time to take action – start building and adjusting your pay transparency strategy today.

Learn more at [pave.com](https://pave.com).

