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equity and reducing gender and racial pay gaps.

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By Kari Meillat.

Employee compensation used to be guarded information that was not readily shared outside of a firm's human resources department or an employee's direct supervisor. Over the past few years, that mindset has shifted and it has become more common for compensation and salary ranges for a particular job to be made publicly available to employees or job applicants.

Pay transparency has been gaining momentum and is considered a step towards pay equity and reducing gender and racial pay gaps. Many states and municipalities currently have some form of salary transparency law, with more likely to be passing pay transparency legislation in the near future. It is illegal in many locations for employers to prohibit employees from discussing their pay or asking about the pay of

others. These laws vary in the specifics of coverage and the penalties for violations.

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Improve employee retention and recruitment

By providing employees with more information about their pay and how it is determined, pay transparency laws can help to address wage disparities and promote fairness and equality in the workplace. This is considered a core value prioritized by many workers today. Providing more information about salary structures and compensation helps employees better understand their pay and benefits packages and can lead to more trust between employee and employer, which in turn can increase retention.

On the recruitment side, pay transparency in job postings can help to increase the number of applicants. The reality is that many job seekers are unwilling to apply for a position that does not indicate a salary range. When a salary range is posted along with the open position, candidates will also know up front if the pay is in line with their expectations, saving both the employer's and candidate's time.

Pay transparency encourages smarter compensation planning

For most firms, employee compensation is the biggest budget item. And despite best intentions, developing a concrete plan to increase this expense is a challenge. The introduction of pay transparency laws encourages businesses to develop a competitive compensation strategy that defines different salary ranges, eliminates inequalities, and incentivizes behaviors that drive success. This can give a firm, and its human resources department, clarity when making salary and benefit decisions and help to ensure that salaries align with market-based wages. This benefits talent acquisition and staffing which supports organizational success.

Supporting an open dialogue about compensation

Today expectations around compensation have changed considerably and it's not uncommon for employees to talk openly about salary with their colleagues, or to

monitor the salary ranges of others in similar roles at other companies. Employees

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Here are employer action items to address pay transparency.

- 1. Establish competitive salary ranges:** A good first step is to establish salary ranges that are competitive for your organization size, industry and location. Understanding the market rate of pay for your jobs will provide the data to develop your salary ranges.
- 2. Define your compensation strategy:** It will also be important to define your compensation strategy to provide clarity when making salary and benefits decisions. Consider how you will align to the market, the types of compensation you will offer, and how you will communicate to applicants and employees. Ideally your compensation strategy aligns your budget with talent needs to drive organizational success.

Taking steps now to set and establish salary ranges and to define compensation strategy can go a long way in helping a business navigate this new territory.

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