



COMPENSATION MANAGEMENT SOFTWARE



How to Implement Pay Transparency: A Comprehensive Guide

Navigating Regulations, Salary Ranges, Employee
Communication, and More

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Introduction: The Rising Need For Transparent Pay Policies

Whether you're ready or not, your organization is likely going to be subject to pay transparency laws in the near future.

Pay transparency legislation has been rising globally, with many US states and EU countries issuing salary transparency legislation in recent years. And, according to the [Harvard Business Review](#), 1 in 5 US workers will be covered by a pay transparency law in 2023.

New laws—like British Columbia's Pay Transparency Act (which came into effect in November 2023) and California's updated transparent pay bill (which came into effect in January 2023)—both require employers to share pay ranges in job ads and submit pay reports to the government (depending on their size).

Even if your company isn't being impacted by pay transparency regulations today, you may be “forced” to do so by the expectations (or demands) from employees and candidates: a [Pay Clarity Survey](#) found that 17% of organizations are already disclosing pay range information, and 62% are planning or considering disclosing salary information in the future—even if they're not required to by law.

The problem? About [a third of companies don't feel they're in a position to share salary ranges](#). Administrative complexity (30%), lack of clear job architecture (25%), and employee reactions (46%) are the top reasons for holding back.

Organizations have a tight line to walk: they need to quickly work toward meeting legal or market requirements for pay transparency—without surprising employees, creating organizational chaos, or damaging their reputation.

But, if your organization takes the right steps and stays true to your compensation philosophy, it's possible to find the right balance—and reap the benefits of a more transparent pay culture.

In this guide, we share how to thoughtfully introduce pay transparency policies that make sense for your organization today—and set it up for success and scale in the future.

1 in 5

employees will be covered by a pay transparency law in 2023

Source: Harvard Business Review



Defining What Pay Transparency Means—and Why it is Important to Your Organization

Pay transparency doesn't have a single definition. It's a spectrum of actions an organization can take to provide clarity around its pay policies, such as sharing salary ranges or tracking pay gaps. On one end of the spectrum is total transparency, where every employee's compensation and the company's pay policies are shared publicly. The other end is not transparent, where employees only know their own salaries, and pay ranges are only shared on a private basis with potential hires.

Many organizations fall in the middle, where they share some pay information internally to build employee trust and share externally only what is required by law. However, legislation will increasingly force companies to meet this minimum level of salary transparency.

Example of Pay Transparency Levels

Legal Requirement Today

Possible Future



Not Transparent

- Employees only know their own salary information.
- Salary ranges are not posted publicly and candidates do not have a good understanding of potential pay for the roles they apply to.

Somewhat Transparent

- Employees know the salary range for their role only (but can also request the range for a role they are being transferred or promoted to).
- Salary ranges are posted on job descriptions so candidates know the pay for any role they are applying for.

Transparent

- Employees know the salary ranges for majority of roles. Salaries of other employees in the same role or across the organization may be shared.
- In addition to salary ranges, the company's comp philosophy and other components of compensation are shared publicly.



The benefits of pay transparency

Salary transparency is not an all-or-nothing dichotomy, nor is there a “one-size-fits-all” approach that will work for everyone. Your policies must make sense for your organization—and they’ll need to evolve over time due to internal factors (like employee growth) or external ones (like market demands).

No matter where you land, [the benefits of pay transparency](#) far outweigh the costs or risks associated with it. Companies with pay transparency practices can expect to enjoy:

Easier, faster recruitment

Research shows young workers are less likely to apply for roles that don’t include a salary. Job ads with salary ranges [get up to 90% more applicants](#).

Improving pay equity

Sharing salary information often [helps reduce pay gaps](#) caused by protected characteristics, like gender, ethnicity, or disability status, and attract a more diverse pool of candidates to your organization.

Retaining top talent

When employers have proper salary ranges and fair pay practices in place, they can spot pay compression with more tenured employees—and correct it before that talent leaves for higher pay elsewhere.

Cost savings

Pay transparency helps companies attract more job applicants, retain talent, and avoid financial penalties caused by non-compliance—reducing costs and the resources spent on these activities. It could also stop you from making poor pay decisions that will cost you more to correct in the long run.

Driving employee performance

Salary transparency can increase employee trust—and according to the [Harvard Business Review](#), employees at high-trust organizations are more productive and collaborative.

More efficient salary conversations

Establishing pay ranges creates a better system for talking about and managing pay—saving you time when it comes to questions about pay, handling pay discrepancies, or making pay increases.

Ignoring the shift towards pay transparency—or getting it wrong—could negatively impact employee morale, retention, recruitment efforts, and your organization’s reputation. Although it takes time and resources to implement salary transparency, the pros of pay transparency surpass the cons.

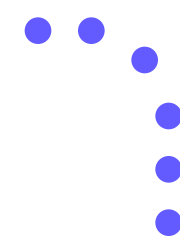
Below, we share steps you can take to achieve your salary transparency goals.



How to Implement Pay Transparency Successfully: A Four-Step Framework

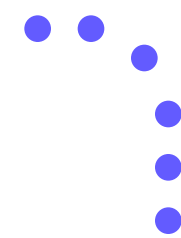
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Build Your Compensation Foundation



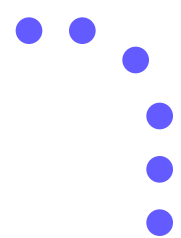
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Analyze Your Pay Data



3

Set Your Pay Transparency Implementation Plan



4

Communicate Changes Internally And Externally

1. Build Your Compensation Foundation

Having a strong compensation management foundation makes introducing salary transparency a more straightforward process. Without at least a few of these pieces in place, your transparency practices may feel disjointed, inconsistent, or (at worst) untrustworthy.

A. Establish (or Review) Your Compensation Philosophy

Your compensation philosophy is your organization's guide to all things pay. It usually includes things like what market percentile you anchor to when benchmarking your jobs and building your salary ranges; what your approach is to location-based pay; if you tie pay to performance; and what perks and benefits round out your compensation packages. These values should dictate what you share, why you're sharing it, and how you'll communicate to employees about pay.

Compensation Philosophy Example

Overall

We are committed to having a compensation philosophy that attracts, engages, and retains top talent to support our business objectives, while promoting equity and fairness.

Location-Based Pay

We adopt a national pay approach where we anchor all compensation based on our HQ location (New York) for all of our remote-based team.

Development and Growth

We invest in the growth of our team by providing ongoing training, learning resources, and an educational budget.

Benchmarking

We target the 50th percentile for salary benchmarking, aiming to pay the median of our industry and peers.

Benefits and Total Rewards

Our compensation goes beyond base salary to include comprehensive perks and benefits such as health insurance, retirement plan matching, and paid time-off.



What This Looks Like In Practice

If wage transparency is not a priority for your organization, learn about the bare minimum legal requirements that impact you. Then, make a plan to meet them and communicate any shifts to employees. If pay transparency and/or pay equity is a core value of your organization, expect to make some large time or resource investments upfront into creating strong, clear pay policies and frameworks—like job leveling maps, salary bands, compensation review processes, and more.

B. Determine Your Level of Transparency

Decide the level of salary transparency you'll aim for. Start with the minimum required by law to be compliant. This may include disclosing salary ranges when requested (or including them on your job postings); avoiding asking about past or current pay with candidates; and how or when employee salaries must be reported to governing bodies or the public. Any work needed to prepare for the introduction of legislation should be prioritized.

Next, determine your ideal amount of openness in the mid to long term—which should be dictated by your pay strategy, company culture, and future goals for pay equity. If creating a culture of pay transparency is a top priority for your organization, investing in job levels, salary ranges, and benchmarking data now will help you scale in the future.

What This Looks Like In Practice

For those paying in the top percentile, being more transparent will be a competitive advantage, since their compensation will be the highest in the market. Those in lower percentiles will need to emphasize other attributes of their total rewards more heavily in the recruitment process—such as company culture, learning and development, professional growth, equity compensation (i.e. stock options), variable compensation, or other perks.

C. Create (or Review) Your Job Leveling Framework

Before you can set salary ranges, you need a consistent set of criteria for different employee levels across your company. A job leveling framework groups job types together based on the level of authority, complexity, or people management required by each role—which will be different for an intern vs. a vice president. ([Follow these steps to build your first job-leveling framework.](#))

Smaller organizations can set up salary ranges for each job title at their company. You would simply find the relevant benchmarking data for each role (based on your compensation philosophy and geographic pay approach) and apply a spread on either side of your market mid-point. This works well when you have fewer roles and can get out of hand as you scale.

Larger organizations usually opt to establish a more structured leveling framework that groups similar roles into job functions (sometimes referred to as job families). Rather than benchmarking every job at the company, grouping similar roles becomes much more scalable as salary ranges are shared across numerous job titles.

Level	Sales	Marketing	Engineering	HR
L1	Sales Development Rep (SDR)	Marketing Specialist	Tech support analyst	HR Coordinator
L2	Account Executive (AE)	Content Writer	Junior Developer	HR Generalist
L3	Senior AE	Marketing Manager	Intermediate Developer	HR Business Partner
L4	Enterprise AE Account Director	Senior Marketing Manager	Senior Developer Senior Engineering Manager	Senior HR Partner Talent Partner II
L5	Director, Sales	Director, Demand Generation	Director, Software Development	Director of Talent Director of People Operations

What This Looks Like In Practice

Job levels should guide the salary ranges you include in your job postings. If you want to keep a role open to candidates with different experience levels, you can share a wider salary range. This may lead to unrealistic expectations for less experienced applicants—unless the range of levels is clearly explained in the job description. You could also post job ads for each level of experience with different salary ranges and let candidates self-identify which role is a fit.



D. Create (or Review) Your Pay Bands

Pay bands (also known as salary bands or pay ranges) offer a range of compensation that employees can expect to be paid within (from a base salary perspective) based on their job level and role. Each band has a minimum, a midpoint (sometimes referred to as the target), and a maximum level. ([Use this guide to build your pay bands.](#))

Ideally, your pay bands will be included in public-facing job ads and used for internal discussions around pay. The majority of organizations use a market-pay approach to building their pay bands. This means leveraging benchmarking data—usually across multiple data sources—to search for market salaries based on your pay philosophy (which [percentile you pay within](#) and your approach to location-based pay).

Job Level	Salary Min	Salary Midpoint	Salary Max
L1	\$20,000	\$30,000	\$40,000
L2	\$30,000	\$40,000	\$50,000
L3	\$40,000	\$50,000	\$60,000
L4	\$50,000	\$70,000	\$90,000
L5	\$80,000	\$100,000	\$120,000
L6	\$110,000	\$130,000	\$150,000

What This Looks Like In Practice

Sharing pay ranges both internally (when requested by employees) and externally (in job postings) is a common requirement of pay transparency legislation. To meet legal requirements, focus on building a band for each job title. Next, focus on building out bands for the roles you’ll be hiring for soon or roles you most commonly hire for. From there, you can create more structure by grouping similar jobs together over time. [Compensation management software](#) can make building pay bands more efficient by helping you visually aggregate data and intuitively map salaries. Consulting firms and compensation analysts can also support band-building. Either way, organizations should have a plan to meet minimum requirements and a longer-term strategy for building out more structured, scalable bands.



E. Establish Your Pay Reporting Process

You'll need to communicate with managers, current employees, and potential candidates about your pay policies. Plus, some laws also require reporting on salaries to governing bodies. Companies should establish how and where they'll house their pay policies—including their compensation philosophy, total rewards statements, salary review processes, etc.—for employee or public access. They'll also need to consider which system they'll want to use to record and track employee pay information.

What This Looks Like In Practice

Many organizations use private spreadsheets controlled by their HR or finance teams to track employee pay. But these aren't scalable and create privacy risks. Having [compensation management software](#) (integrated with your HRIS) is the ideal solution for tracking, managing, and sharing employee pay. These systems are built to make viewing bands, spotting gaps, running reports, and managing comp reviews a more efficient and secure process.

2. Analyze Your Pay Data

Now that your foundation is established, it's time to conduct a pay analysis. This will show you where your employees fall within your salary ranges and guidelines—and if you're on track to meet your goals.

A. Conduct a Pay Audit of Current Employees

Map where employees fall within their pay bands. If they fall outside of their band, dig into why. If it's due to low performance, make a plan to communicate expectations on how they can improve. If they're above the band, it may be time to reclassify their job level or consider them for promotion. If it's determined to be an inconsistency, plan to correct it at the individual level. (More on this later.)

Job Function	Level	Job Title	\$0k	\$40k	\$80k	\$120k
Sales	L2	Sales Manager				

What This Looks Like In Practice

Experience level alone doesn't have to determine an employee's position in their band. You can use a merit-based pay system where increases are tied to performance ratings. This means higher performers are paid more than lower performers.

Another option is to segment pay bands by different "zones" based on skills and competencies demonstrated by each employee. For example, your zones can be divided into 1) Entry Zone, 2) Proficient Zone, and 3) Mastering Zone—based on skill level and outputs for each role (as outlined in the job leveling framework).

Having clear, company-wide definitions for these pay band zones will help you better manage performance and explain why employees are sitting in certain positions in their band.



C. Compare Results to Your Goals

Ask yourself if the results of your analysis support your compensation philosophy and transparency goals. For instance, are you meeting the market percentile you set out to? Compare your results to benchmarking data and salary comparison websites to see where employees are falling.

Also, are you comfortable sharing pay information with the level of openness you planned to? If your findings are causing you to pause, consider adjusting your practices, revisiting your initial goals, or doing more research. You may also need a plan to close discrepancies, which we'll cover next.

What This Looks Like In Practice

It's important to determine if salary compression is the reason for pay gaps among similar roles. Salary compression can occur when the market rate for a role increases quickly, causing those who are recently hired to be paid more than those who are more tenured. It can also be exasperated by recruiters placing new employees higher in the band than they should be. Use benchmarking data, regular compensation reviews, and clear salary approval frameworks for new hires to reduce the chances of pay gaps occurring.

3. Set Your Pay Transparency Implementation Plan

Now that you know where your current pay practices sit against your ideal state, it's time to make adjustments and set up a plan to introduce change.

A. Review or Revamp Pay Policies

Now that you know which themes may be causing discrepancies, it's time to implement systems that will prevent them from reoccurring. Reviewing your comp review process (including pay increase and promotions guidelines), salary approval process, pay policies, and other [compensation management](#) tools should help reduce future discrepancies. The more standardization and documentation you have around how decisions are made about pay, the fewer gaps you should have.

What This Looks Like In Practice

In a highly transparent environment, internal and external salary ranges match each other perfectly. If your organization isn't ready for this level of transparency, you may have different levels of detail in what is shared with employees vs. potential recruits. However, the more closely the two are aligned, the more transparent and streamlined your process will be.

B. Make Internal Adjustments

Set aside a budget to fix any outliers or major inconsistencies among individual employees who may be underpaid (based on their tenure, education, performance, or location). Aside from making immediate changes to base pay, you could also improve morale amongst lower-paid employees with special retention bonuses or other special, performance-based payments. Limit those being overpaid to lump sum rewards vs. base pay increases to prevent further band discrepancies in the future.

If your budget is limited, you may need a multi-year plan to close gaps or need to ask your executive team to reallocate funds. Those below their band or the functions with the largest pay gaps should be given larger increases first. Also, consider how other non-cash incentives—like equity or other perks—could motivate employees to stay.



What This Looks Like In Practice

Many teams won't have the immediate budget or resources to fix all pay inconsistencies or gaps before they're forced to share some pay bands publicly. Prioritize adjustments by focusing on these areas first:

- Roles with the biggest inconsistencies
- Team members with the highest churn risk
- Teams with overall high turnover rates
- Larger teams with similar roles or job-level structures
- Fast-growing areas of the business that will be hiring the most

C. Prepare Your Core HR and/or Compensation Team for Roll-out

If your company has an HR or Compensation team, you'll need to train them on any pay transparency policy changes before rolling them out to the broader company. Then, move on to management. Ideally, Managers will facilitate pay conversations and handle discrepancies using your policies, only going to the HR or Compensation teams for help with special cases.

4. Communicate Changes Internally and Externally

You're finally ready to share pay policy changes with current employees—and possibly externally, if it makes sense for your employer brand and transparency goals. It's time to communicate updates and teach everyone how to talk about salaries.

A. Explain Your Policies to Employees

When sharing pay transparency changes with employees, consider including the following information:

- Explain what pay transparency is and how legislation is impacting your organization
- Share, reiterate, or clarify your compensation philosophy
- Communicate any changes to bands, job leveling, compensation reviews, etc.
- Explain how individual pay is determined within a band
- Share a clear timeline for talking to folks impacted by changes
- Offer clear instructions on how and where employees can ask questions

You'll also need to create or update documentation for employee training and reference. Consider having an employee-facing compensation philosophy document that outlines key values, processes, and resources around pay.

Expect employees to ask questions like:

- How is pay determined?
- Why am I not higher in my band?
- How can I improve my position in my band?
- Are new employees paid more than me?
- Is our pay competitive? If so, how is that determined?
- What data do you use to determine the pay for my job?
- My friend makes X in a similar role at their company, why is my pay different?

When it comes to training, host mandatory sessions to educate employees, and consider offering recurring “office hours”—hosted by your HR or Compensation team—where employees can ask questions.



What This Looks Like In Practice

In a high-transparency culture, employees may be able to view all job levels and salary bands. In a less transparent workplace, employees and managers may only know their current band, their function's band, or the bands directly above or below them. More information can be helpful and motivating, but companies must strike the right balance. The more transparent you are, the more comprehensive your pay documentation, job descriptions, and training for managers and employees should be to avoid confusion or discrepancies.

B. Communicate Pay Transparency Practices to Candidates

Train your Talent team and/or Hiring Managers on how to talk about pay with candidates during the interview process. They should be able to explain:

- Your compensation philosophy and level of pay transparency offered to candidates
- How job leveling and salary bands impact pay or offers
- What the pay negotiation process looks like (if there is one)
- What compensation isn't included in the band (total rewards)

Next, think about how you'll communicate with potential applicants before they speak to someone at your company about pay. Aside from sharing pay ranges in your job ads, make sure to highlight what's not included in the base salary ranges in your postings—like bonuses, equity, and other monetary rewards. The more details you can share, the better chance you have of attracting the right talent. Sharing a public-facing compensation philosophy or pay transparency policy can help.

What This Looks Like In Practice

How large pay ranges are in your public job postings isn't set in stone in most legislation. However, if ranges are too wide, less experienced employees (both internally and externally) may expect a higher salary and be disappointed. But if salary ranges are too small, potential recruits close to your range may not bother to apply. Make it clear whether candidates with more experience should apply or if there is room to negotiate salary—but only if you're open to candidates who may come in above the range and you have the budget for it.

Pay Transparency: A Rewarding Journey—Without a Final Destination

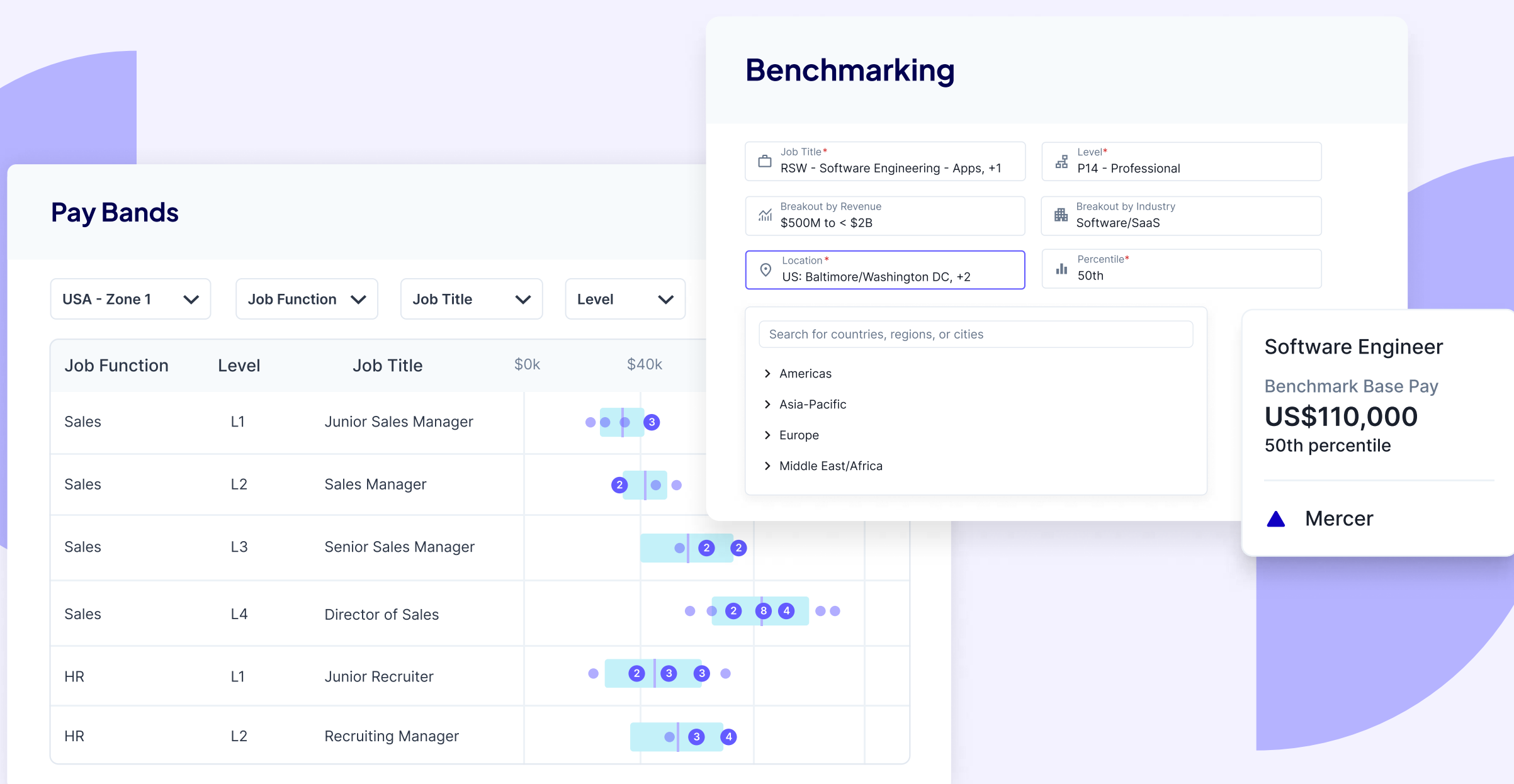
Pay transparency is an ongoing process that is never done. As new laws and market shifts force companies to adopt more open pay practices, organizations should expect to revisit their policies and frameworks frequently. And, if true transparency is your goal, you may have multi-year plans for achieving more openness by maturing the processes outlined above.

Pay transparency benefits certainly outweigh the drawbacks—but getting it right can take up time and resources you may not have. However, the right tools and systems can streamline manual work around monitoring pay gaps, reporting on pay levels, and more.





Scale Pay Transparency Best Practices with Barley



Barley's Compensation Management Software makes setting the foundation for pay transparency easier for HR and compensation teams by:

- Making building and tracking salary ranges more efficient
- Showing where employees fall within pay bands at-a-glance
- Providing benchmarking data for your current job levels (no spreadsheets needed!)

Contact us to see how Barley supports salary transparency today.

BOOK A DEMO