

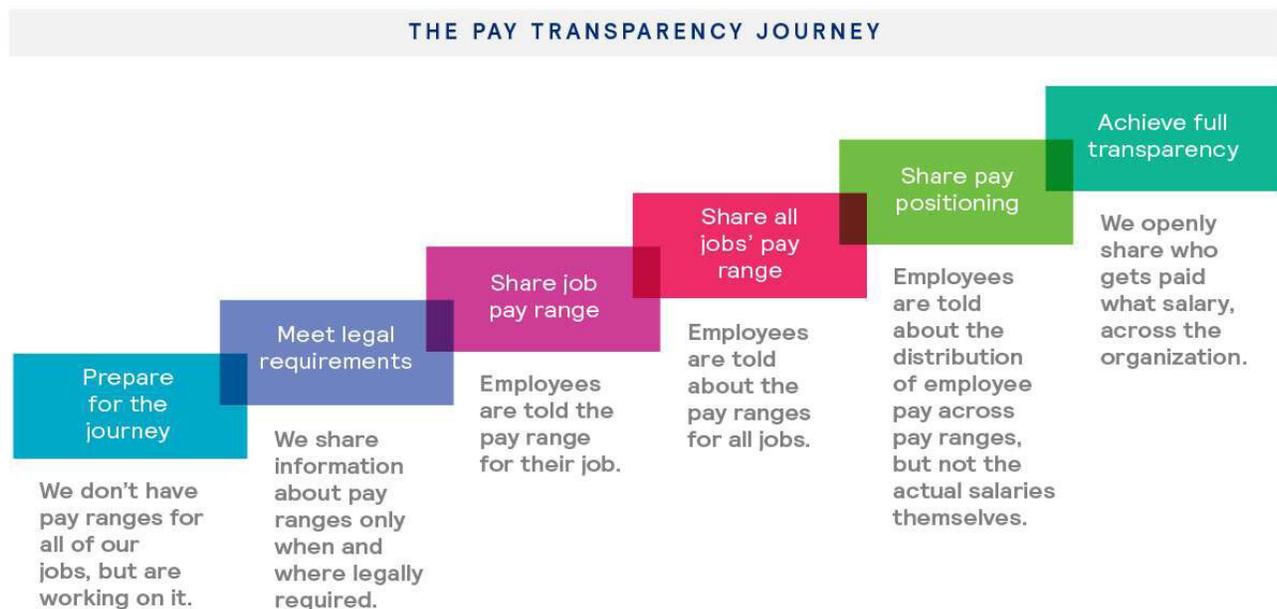
ARE YOU READY FOR THE NEW REALITY OF PAY TRANSPARENCY?

In a world where employees increasingly know what salaries they can expect to earn at another company, and as candidates become entitled by law to know the pay range for a job as they go through the recruitment process, the question facing business leaders and human resources executives is:

What story does your company want to tell employees, candidates and customers about how you pay?

Being transparent on pay is a journey that depends on where your organization is starting from and your company culture.

Early stages of the journey likely involve sharing the pay range with incumbents of that job. This allows an employee to understand how their pay compares to the range of pay for their job. Further along in the journey, pay transparency could take the form of openly sharing pay information, as organizations like [Buffer](#) do, on the company website. Today, not being transparent on pay to some extent is no longer an option.



That said, pay transparency is a tricky area to navigate. Multiple factors complicate the decisions companies need to make in telling their story:

1. In spring 2018, Ontario became the first Canadian jurisdiction to require employers to share information on pay ranges with the passage of the Pay Transparency Act, although the date at which the Act comes into force has not yet been determined. Pay equity legislation, particularly in Quebec and in the federal jurisdiction, also requires compensation information (e.g. pay, incentives, benefits) to be shared with [pay equity committees](#).
2. Sites like PayScale make pay data publicly accessible with granularity beyond the most basic of compensation surveys, while sites like Glassdoor and Quora make it easy to share and discuss pay information.
3. Tight labour markets are putting a spotlight on the employee value proposition, making

companies realize they can no longer be silent on such a major part, like pay. “Trust us” is not a reasonable answer to questions on pay from candidates and employees.

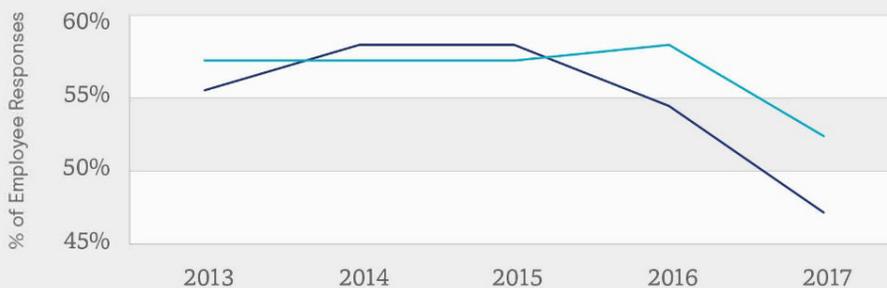
Simply put the truth — or some version of it — is out there, whether companies like it or not.

Why Pay Transparency Matters

First, it matters to business. A lack of equitable pay hinders achieving the workforce diversity needed for businesses to thrive in today’s economy. Pay transparency goes a long way to holding companies accountable to pay decisions made.

Second, it matters to employees. Only 21% of employees in Canada — compared to 22%, globally — give their company an “A” grade for equity in pay and promotion, according to our [2019 Global Talent Trends study](#). In addition, during the past five years, employee perception of fair pay has declined from 57% to 52%, according to our analysis of [global employee satisfaction data](#).

Employee Satisfaction with Rewards



Source: Mercer | Sirota

The better my performance, the more I will be rewarded

I believe I am compensated fairly for what I do.

Third, compensation information isn't something your company's compensation department controls anymore. Phrases like "the survey data says" are no longer the end of the story. The digitization and democratization of compensation and career information have made it exceptionally easy for employees to develop their own perceptions about compensation for their jobs. Therefore, a story emerges about pay transparency whether you like it or not.

In the end, your employees and prospective hires are already talking about your organization's pay philosophy. They are making decisions about whether or not to consider working at your company and, if so, which job to apply for or which career move to make based on what they know about your pay levels. Accordingly, managing that narrative requires some proactive steps in this new transparent reality.

Get Started on Your Pay Transparency Journey

Adapting to the new world of pay transparency has more upsides than downsides for employers. But it requires that business and people leaders accept the reality of this new world, letting go of traditional views and long-held beliefs of what employees need to know and what employers can control.

Here are six questions to consider as your company continues its journey to pay transparency:

1. Where Are You on the Journey?

Start by looking at how much you communicate today and the rationale behind why the people in your organization are paid the way they are. Do your practices vary from province to province or department to department? And for those that are unionized, you also need to understand what is disclosed in your collective agreement[s] and the implications for non-unionized employee compensation disclosure.

2. What Is the Pay Story You Want to Tell?

How does your pay reflect your brand? How does pay fit with other elements of compensation such as incentives, perquisites and benefits to create a comprehensive total rewards package? What information are you going to share, and why? Do you want to be able to talk with employees about career paths? Are you doing this for employee retention purposes, to be an employer of choice for new hires or both?

Perhaps it's all of the above. How transparent do you want to be? You might only want to share pay ranges for job families or specific jobs, or choose whether to share information primarily internally or purposefully externally.

3. Do You Have Solid Foundations?

Take a closer look at your company's [jobs and salary structures](#). Do you have jobs defined by the skills required and up-to-date salary structures to support paying competitively? Then, conduct robust statistical analysis to understand whether or not people are being paid equitably within expected norms and account for relevant factors such as different locations, job families, years of experience and performance.

4. What Changes Do You Need to Make?

There are a few options for what your transparency strategy might look like (these strategies are not mutually exclusive):

Career-focused pay transparency: Enables career conversations between managers and current employees by helping people understand pay positioning and pay ranges for what's ahead of them on their career path.

Skills-focused pay transparency: Supports learning and development by helping people understand the pay ranges for jobs within the organization, so they can acquire the skills to move along the pay range and/or qualify for other jobs within or across business units or functions.

Externally focused: Uses compensation information to create an externally facing value proposition for attracting and retaining talent.

5. How Will You Tell Your Story?

Proactively [communicate changes](#) to your pay practices and policies on your journey. Connect it to your brand through external messaging and success stories around pay equity, recruiting communications and everyday support for managers communicating with employees in performance reviews and career conversations.

Digital technology platforms are essential to helping employees look up salary ranges and explore careers, and would be the single source of truth for communicating pay data.

6. How Will You Test and Measure Impact?

HR leaders can use a range of metrics to gauge effectiveness. On the simple end, you can use measures of employee sentiment from [employee engagement surveys](#). On the more reliable end, statistical modelling of whether or not the employee's perception of being paid fairly was predictive of turnover will enable more accurate dialogue.

Ask yourself why candidates are interested in working for your organization, why employees decide to stay and if there are other connections between compensation transparency and high-level outcomes.

Enter the New Reality of Pay Transparency

Being transparent about pay can help your organization build trust and strengthen its relationship with your employees in a way that enhances your brand and, ultimately, your business success. Transparency also equips managers with the knowledge that helps them have more constructive career development conversations with their employees, a critical step in retaining top talent.

If your organization is not taking proactive steps now to become more transparent about pay, you risk falling behind and having the message created for you. Now is the time to make sure you tell your story.

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At the heart of workplace transformation, an environment that fosters simplicity, intuitive talent strategies, and a strong sense of purpose helps your people to thrive. Mercer can help you align work to future value, build a compelling total value proposition, curate the work experience and deliver talent-led change. Talk to us about talent strategy, mobility and HR transformation.

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