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How much should we talk about pay?
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QUESTION: We don't typically talk about how much we pay each employee. We don't share our salary ranges or hourly rates in job postings, and we work individually with candidates and employees to negotiate their base pay. We've recently had some questions from staff questioning their hourly rate as compared with their co-workers. I don't know how they found out what others make, but I'm wondering, how much information we should share?

ANSWER: While compensation has always been a key driver for recruitment and retention, with the tight labor market and rising costs, it has become even more important to handle strategically. Michigan does not currently have pay transparency laws requiring you to share salary ranges, but many other states do, and this is a trend to keep an eye on.

It is becoming more common for employees to share their hourly wage/salary. You cannot legally prohibit them from doing so, but many leaders are still surprised when it happens. Ideally, you would have a compensation structure in place that supports consistent practices and decisions. The most common issues that we see in small organizations is that there is a lack of consistency and/or pay equity issues – i.e., not paying a similar salary for the same job/performance and circumstances. Often, employers get caught in negotiations with potential candidates and the better someone negotiates (or the more desperate you are to make a hire), the more they make. Yielding beyond your set salary range creates inconsistencies and ultimately inequity between someone who is new to the role and someone who has been in the role longer. Over time, these decisions disrupt your compensation structure.

So, what should you do in response to the questions you are receiving?

The first step would be to conduct an audit. Look through the salary data for your current employees, as compared with their hire date, performance, and demographic information (e.g., gender, age, race, etc.). Compare employees in like-roles with each other. Some differences are explainable, such as those who have been in the role longer, and/or high and low performers. However, if there are not justifiable differences between employees in like-roles, you should look at those differences and decide how you can make them more equitable. This could mean raising an employee's hourly wage to be the same or more proportional to the differences in longevity and/or performance. You may make these adjustments over a period of time, so the immediate budget impact is less.

It is also a good idea to have established salary ranges for each position, based on market data. There are many salary resources that could be used in determining competitive pay rates based on industry, business size, and geographic location. Let's say that based on market data, you decide to set your pay band for an entry level professional position at $42,000 - $51,000 ($20.19 - $24.52). When you have a new hire, you would start the employee between $42,000 and $46,000 (25th-50th percentile) based on their

experience. If you were to hire an experienced employee (say more than 3-5 years of experience) and they will not require much, if any, training, then you could justify starting them a little higher in the range, say $47,000 - $48,000. You should be very cautious about starting a new employee at the higher end of the range, because it will give you less wiggle room for future raises.

Once you have market-based pay ranges for each position, and criteria for how choices are made for where each employee is within the range, then you could feel more confident in sharing the salary ranges with employees. This doesn't mean that you share individual employee pay rates, but instead you share the overall ranges and talk about how they were developed and are used. This will help create more confidence and understanding among employees. Then, individual employees could come to you to discuss their pay and ask questions. However, conducting the pay audit, mentioned previously, and making needed adjustments for consistency and equity, would be important BEFORE sharing salary ranges and opening up the conversation about individual hourly rates/salary. You want to be prepared to justify why the employee is paid what they are being paid.

Creating a simple, but yet strong compensation structure takes some time and expertise. If you need guidance or help with putting these structures and practices in place, HR professionals like HRM Services can help!