Pay Transparency – 5 things worth knowing

A lack of transparency results in distrust and a deep sense of insecurity" - **Dali Lama**.

There has been a lot of noise recently about pay transparency. The adoption of the EU Pay Transparency Directive by the European Council in April 2023 caused a bit of a stir. The practice of openly sharing information about compensation (salary, bonus etc.) with employees and job candidates appears to be seen as a quite radical concept in some quarters!

Here are 5 things worth knowing about pay transparency.

1. The drive for pay transparency is not limited to EU countries or indeed regulations or laws in other countries. Pay transparency is a must do for organisations to effectively attract and retain talent. Generally, employees aged 40 years or younger (generation Y & Z) simply expect transparency on pay to be the norm and assume the worst when organisations are not willing to demonstrate transparency on pay matters. If organisations want to earn employees trust and have credibility with their workforce, they have no choice but to front up on pay transparency.
2. It is not possible to engage employees unless your organisation is transparent about how it determines employee pay. A fundamental building block of employee engagement is that employees perceive that their pay is fair relative to internal peers and market paid rates. Proactive and open communication on pay determination is key to ensure effective employee engagement.
3. For some organisations being transparent on pay and pay determination is just how they do business. For example, it is common practice in most parts of the Hi-Tech sector to share information about salary bands and bonus opportunity openly with employees. At the other end of the spectrum, is also common practice if an organisation has unionised employees, that these employees typically enjoy clarity on how their paid rates are determined. The world has not stopped spinning in these organisations just because they are transparent on pay practices which I think should provide some solace to companies struggling with the change to more transparency on pay.
4. No rocket science is required to create transparency around pay. The building blocks (clear rewards philosophy/principles, a sound rewards strategy, job evaluation process, job levels and salary bands) have been around forever. The sooner organisations make the investment in building these frameworks the better, as they will have more time to understand the key issues and implement appropriate

communication strategies and processes. A key first step is to internalise that pay transparency is not going away and in fact the drive towards greater transparency on pay will intensify in future years.

5. Organisations need to square away their approach to pay transparency with their organisation culture. For some organisations the stakes of implementing pay transparency are high. Some organisations will need to pivot on their organisation culture to a more transparent approach. This can require a significant change effort in terms of both manager training and employee communication, but the benefits of pivoting towards transparency far outweigh the investment required.