



What Is Pay Transparency and What Are the Benefits?

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Pay transparency is the practice of openly and proactively sharing information on organizational compensation practices, including pay rates for specific positions, pay increases, bonuses or commission structures, benefits, retirement plans, or any other specifics about pay.

The Rise of Pay Transparency Laws

Equal pay laws exist in nearly every state, but laws that require companies to provide pay transparency are still a new trend. At the federal level, the National Labor Relations Act protects employee discussions of wages and prevents employers from establishing a policy to prohibit employees from discussing working conditions, including pay, with other employees.

How Employee Compensation and Pay Transparency Can Benefit Your Client's Business

Being transparent about how a company pays employees can help beyond simply complying with applicable state and federal laws. Once the pay transparency plan is in place, it can aid in recruiting and retention efforts, help the HR team avoid surprises concerning pay, and improve a company's culture.

Weed Out Candidates Looking for Pay Requirements Out of Budget

The [recruiting and talent acquisition](#) process can be costly for any business, and the best companies recognize that high turnover and constant recruiting lead to additional expenses on several levels. Transparency in job ads and early candidate screenings can help ensure a successful interview process.

No Surprises for Your Business Clients HR Team

Even if a company is not fully on the pay transparency bandwagon, competitors may already be disclosing this valuable information to job candidates. Your business clients HR team should stay informed of the competitive landscape to avoid being blindsided in interviews; no one wants to discover they're the lowest-paying business in the industry by losing out on a well-informed, stellar candidate.

Open the Door to Improved Company Culture

Embracing transparency can help companies to ensure that their overall compensation policies are fair and equitable, which can lead to improved company culture. When gathering pay data to improve company transparency, a business can also run a comparison of both internal and external pay rates to ensure that pay is equitable across gender, race, ethnicity, positions, and locations.

Possible Challenges with Pay Transparency

Employees could feel slighted if their organization's attempts to identify and eliminate pay gaps reveals an even greater gap between employees' pay than they suspected. To avoid these potential challenges, be sure to review the policy with legal counsel and consider outlining and updating the company's pay policy in the employee handbook or other company documentation. Be sure managers are complying with the policy and look to communicate pay-related decisions sensitively and thoughtfully.

Start Utilizing Pay Transparency Today

While there are some potential challenges to increasing pay transparency within an organization, the benefits of increased trust among your business client's employees and improved company culture can certainly make it worth the effort.

Pay transparency is an increasingly useful [hiring and retention tool](#). Contact your Paychex Rep today to discuss how Paychex can assist your business clients with hiring and retention.