

Navigating the Path to Pay Transparency for Equity and Engagement- Session Takeaway Tips

- Important to spend time up front on why you are focusing on pay transparency and what you are trying to achieve.
 - Understand the connection to rewards philosophy, business strategy and roadmap, executive/board view of what to do, culture of the company.
 - Think about both “why should we do this” and “why shouldn’t we do this.”
 - What is the end state you are aiming at?
- Getting started can be hard but it is doable - use change management principles and practices.
 - Figure out the why and the goal before you do anything else.
 - Understand the critical steps your organization needs to take to get to your goal.
 - BUT start with small steps to build momentum and buy-in.
 - Draw in partners and champions, particularly from senior leadership.
 - Draw on external resources, particularly if you need an objective/neutral party to navigate conflicts, decisions, and pushback.
 - Understand the challenges - conflicting priorities, resource availability, existing pay fairness/compression issues.
 - The steps you will need to take look different if you’ve “inherited a mess” vs already have groundwork laid or a culture of transparency.
- Communication and education are key.
 - Understand your audiences - who are they, how do they differ, what are they ready for, what do you have to get them ready for
 - Prepare for the conversations about “why are we doing this” and then prepare your leaders for these conversations.
 - Leadership buy-in and management of leadership pushback are essential from the very start - resolve pushback before you try and move ahead.
- Technology and data are key resources in this work.
 - Use technology like Barley to automate and reduce the workload.
 - What is your data telling you about what your pay problems are and where they stem from - go beyond the initial analysis to root cause.

How Elastic Path launched Pay Transparency

Communicated to get them ready:

- Regular communications in our People Leader Slack channel,
 - Created a community for leaders to share concerns, questions and possible approaches.
- Courageous conversation around the root of hesitation (uncovered inability and fear in conversations about why some were below range)
- Training and open discussion for Managers with Compensation Consultant to review Elastic Path’s philosophy, levels and ranges.
 - Ensured managers are familiar with the framework and data.
 - Compensation consultant provided objective external market view so it wouldn’t be perceived as “HR in a back room making stuff up”.

- Various organization wide communications about the roadmap, the benefits of what Elastic Path was doing, why they were doing what they were doing, and the timing/what to expect.

Prepared people for difficult conversations

- Manager Q & A - open document and sessions - anticipated questions
 - Example: for US employees they might ask why they see roles at other companies paying 15-20k more, but they don't realize Elastic pays for their benefits in full with equivalent value of over \$20,000 per person per year that they would be paying out of pocket in another organization
- Role play conversations with People & Culture team (allow for practice)
- Creation of responses for individuals that were below range, in advance (look into the why e.g., newly promoted into role, recent increase in ranges for Cost of living, etc)
- Having conversations with employees below BEFORE ranges shared, WITH a plan on how we intended to address the gaps (upcoming annual compensation review, building experience) - worked to be proactive, and have no surprises
- Virtual Office hours created with People & Culture team for any employees needing to be coached or supported on how to have conversations with their managers, or who wanted to talk through the philosophy further.

Questions not addressed during the panel:

- **What's the average compensation percentile tech companies are at?**
 - Most companies do not publicly disclose what percentile they are targeting in the market. A number do tend to target P50 generally, but some will also have a separate, higher target (such as P75) for key roles or critical talent. Companies may also target base salary a bit lower than P50 but total cash (base plus variable) or total direct (base plus variable plus equity) at P50 or higher.
- **Does the research and/or your client experiences show that pay transparency improves retention or the opposite?**
 - From Joanna: I think this is company specific and tied to how good the total rewards/comp philosophy is. Being transparent increases trust, which tends to increase retention (but if you are below market, this could have the opposite effect if your other rewards aren't comparable)
- **How do you respond to Managers that raise complaints they should have been a part of the decision making to roll out pay transparency?**
 - Joanna shared in the session how Elastic Path approached preparing leaders (see prior section for key points) before going out to all employees - that gave them the time and space to ask questions, such as why they weren't part of decisions.
 - The answer here is often culture specific and should drive from how and when you normally involve managers.
 - When you first set out on the pay transparency journey, consider whether this will be a concern for your managers and therefore whether there are key points to involve them before decisions are made.
 - These complaints may be a symptom of managers needing more information about why it is being done and the benefits that are expected.

- Senior leadership should prepare a clear and consistent response to why manager input wasn't sought out prior to roll out so that all managers get the same answer to this complaint.
- **Leads are integral in these pay conversations. How do you get them trained and comfortable?**
 - See some of the points in the prior section about what Elastic Path did to get leaders ready.
- **Is it okay to pay a newer, higher performing employee more than a more sr. employee? How do you handle these convos without pitting teammates against each other**
 - It depends on your company's compensation philosophy. For example, if all pay is to be based on performance/impact/contribution, then yes, it is OK for a newer employee to be paid higher than an employee with longer tenure, particularly where the newer employee has skills or experience the more senior employee does not and the newer employee is a stronger performer.
 - Make sure you are basing the decisions around salary not just on what each person has done lately, but on their long-term performance, what they bring to the role, and the requirements you have defined for the role. Calibrating pay recommendations across a larger team helps ensure there is an objective, measurable reason for differences in pay.
 - In the conversation with the lower paid person, highlight specific things you would need to see in order to move their pay up (measurable, objective things that the higher paid person is doing, and the lower paid person is not)
- **Any tips on getting IC and Manager buy-in for pay transparency?**
 - Note, answers below assume we are talking a situation where the company is being more transparent internally about pay and pay ranges.
 - Help them see the "what's in it for me" picture.
 - For managers, the more transparent a company is about how salaries are determined and what salary ranges are, the more a manager is equipped with tools and objective information to leverage in compensation conversations. Transparency also better equips managers to develop their people and actively move them through the salary ranges.
 - For ICs, transparency in pay allows them to see what their earning opportunity is and start to ask more targeted questions about how to get to where they want to be
 - See the examples of what Elastic Path did to prepare leaders to be more comfortable with pay transparency - efforts in the communication and education space always help people move along the change curve with something new.
 - Be clear on your "why" and your end goal for pay transparency, ensure that anyone delivering messages about pay transparency - senior leadership, HR, managers - are all equipped with the sharing the same message and tone.
- **Thoughts on the potential for distraction especially since most people don't have a solid grasp on compensation factors?**
 - You will definitely need to ensure that both managers and employees have a good grounding in how your company determines compensation. It is worth spending a bit of time describing the high-level process of getting from market data to salary ranges to salary decisions.
- Comment from audience: If people play around bonuses, soon overall compensation will come under the gamut of law. More creativity is required.
- **Any advice on how to roll out & handle pay transparency when we also have a union being potentially formed?**

- In your up-front discussions about what pay transparency will look like for your organization, this is relevant to deciding whether you just attend to legislated requirements vs go further
- Get legal advice about whether anything you are thinking of doing in service of pay transparency interferes with the unionization process.
- Being more transparent with employees about pay, particularly educating them about how pay is decided in your company and where market data comes from, can help ease concerns that are driving people towards forming a union.
- Using an external consultant to present to employees may help lend credibility and objectivity to the information.
- Example from Amy: when I worked at BlackBerry (back when they had hardware manufacturing and were doing it in Canada) there were concerns about production operators possibly being approached to unionize. We formed an employee advisory committee, walked them through how we create salary ranges and decide to pay (including the company budget impacts that are considered in setting increases), showed them the data and the recommendations we were making from the data, and then had them give input on the recommendations. The people on this committee were drawn from various roles across production teams and then became ambassadors and advocates. Note that these people were on a step rate pay scale - pay was determined by time in role (assuming no documented performance issues or absence issues) and the top rate was set one step above market P50.
- **What happens if you are hiring all across Canada (i.e. in both Ontario, Alberta and BC)? How should the job posting be advertised with pay transparency?**
 - Your posting will need to meet the requirements for wherever you are posting and hiring. If you have one posting for all of Canada and are posting in and accepting candidates from BC, you will need to have your posting in line with the new BC legislation.
 - Developing a compensation philosophy and determining what range you will use in your postings can help create consistency here (e.g., 80 - 115% of your target salary) then do that for all geographic locations.
- **Tech companies use base salary commonly, but other industries hiring tech talent often use incentives of high value. How can companies highlight total rewards?**
 - Equip your recruiters with a “pitch” for candidates - either a script of things to say candidates they meet with or a 1-to-2-page document that outlines the elements of your total rewards offering (think of it like a “sell-sheet”).
 - Depending on how transparent you are prepared to be about your TR package, you can also post this information on public web page candidates can look at when they are applying. You can also include a small section at the end of your postings for other benefits and rewards you offer.
 - Have a full total rewards philosophy that contemplates what you will offer, why you offer it, and where/how you will compete against the market versus craft the offering based on internal culture and philosophy. This will be your “north star” for what parts of the package are your gems to highlight to candidates. Make sure your recruiters know about it and understand it.
- **How do you think transparency will impact how candidates job search?**
 - Some candidates will certainly use it as a key criterion in their search and in deciding whether to even apply.
 - Some candidates may actively seek a company that is doing more with pay transparency than just the legislated requirements.

- Candidates have already been asking more and more at the initial screening stage about the earning opportunity with many declining to pursue the application if the range quoted is too low.
- **How do you address the challenge of the company permitting a more realistic budget for the roles compared to market. One of the reasons for squeezing pay.**
 - This is a question that needs to be raised when deciding your compensation philosophy. If the market position leadership wants to hold for pay is not one the company can afford, then the choice is the same as with any other strategic direction choice - either target a lower market position (and see if you can make it up in other aspects of rewards and culture) or sacrifice other spend/priorities to fund the move to the strategic position and holding that position.
 - Use data to paint the picture - not only market data, but where are people currently paid, where are your gaps, what would it cost to close those gaps immediately. Complement that data with data on cost impact of turnover - estimated lost productivity, costs to hire and onboard, plus a potentially higher salary than the person that left because of market rate you need to pay to get a qualified candidate.
 - If the commitment is firm to close the gaps, it is then a budget exercise to work out a reasonable time span over which to increase salaries and what other spend the company will forego to get there.
- **What about assessing pay equity for various demographic groups within the company, such as trans ppl who may be experiencing significant wage disparities?**
 - If you are aiming to be pretty transparent, then you definitely need to dig into your data and figure out where you have gaps AND how those gaps came to be.
 - Doing analysis that compares salaries of people in same or similar roles and looking at averages for men vs not men, and white vs non-white can help draw out where to look more closely. You will also want to pull in any data you have on length of tenure in the company, length of tenure in the current role, prior experience, performance history, and salary increase history. The challenge will be whether you have information on gender and ethnicity for all your people.
 - When looking at overall company averages for marginalized vs non-marginalized groups, be aware that part of marginalized groups having lower average salaries may stem from the proportion of representation from marginalized groups in higher level/higher paid roles. Your issues may in fact stem from not having good diversity of people in your higher paid roles, not disparity in how marginalized vs non-marginalized people are paid in the same role.
- **Can you comment on how becoming a new parent factor into the wage gap?**
 - This depends on how your company handles recommendations for people on leave during company-wide salary reviews. If you are actively asking leaders to plan increases for people on leave as if they were actively at work, then their salaries will stay caught up with peers and there should be little to no gap to close when they return to work. If you are letting leaders plan nothing for people on leave, then you need to plan for how you will fund any increase that may be warranted when the person returns to work from parental leave.
 - Without a planned approach for managing salary increases for people on leave, you will definitely end up with a wage gap for people who have taken parental leave.