

## Pay anxiety: talking about compensation when people feel they are not being paid enough

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*“I know I’m not necessarily going to be paid the same as someone else and a lot of factors go into it. But I need to know that how those amounts were determined was the same for everyone”  
– an employee talking about their concerns regarding compensation*

Almost everyone has wondered at some point in their career if they should be getting paid more than their current salary. We refer to this as “pay anxiety”. It is the distracting, uneasy feeling that we may be leaving money on the table that could and perhaps should be ours. Wondering if we are being taken advantage of because we haven’t requested or demanded a higher pay rate. Or feeling a sense of under-appreciation and resentment that others in the organization are being paid more than us even though we contribute as much or more to the company than they do.

The reason people become anxious about pay is not because they are being paid unfairly, but because they do not know whether they are being paid fairly or not. A recent [study conducted by SAP SuccessFactors](#) found most employees do not understand the criteria used to determine their pay levels. Equally concerning was that many managers struggle to explain how compensation levels are set for their direct reports. If employees and managers do not understand how they are paid, it is not surprising that other [studies](#) have found the majority employees have little sense of whether they are fairly paid.

Many employees live with the anxiety of not knowing if they are paid fairly. But this is starting to change. Public sites like Glassdoor and PayScale are becoming valued sources of information for employees who want to know if they are getting paid as much as their peers. And growing demands for gender equity are creating public and legal pressure on companies to be more transparent around how they determine compensation levels. This is good news for employees. But it poses challenges for companies who must explain why their pay levels are fair and equitable in the face of publicly data that may suggest otherwise.

How should managers talk to valued employee who feel they are not being paid enough? How a company answers this question can make the difference between whether an employee with pay concerns chooses to renew their commitment to the company or quits as quickly as possible. The following are four strategies for discussing pay with employees. These range from bad to great based on likelihood of increasing employee engagement and commitment to the company.

**Bad: downplay concerns.** Compensation is a socially sensitive topic and most employees do not like talking about pay. Employees, at least the kinds of employees you want, do not want to create tension by raising an issue that could be interpreted as the employee being greedy or accusing their company of treating them unfairly. So it is easy to do things that will cause employees to “shut up” rather than share their concerns about pay. Something as simple as a joke by a manager about “everyone wanting more money” could leave employees to bottle up their anxiety rather than discuss it. For this reason, managers should be trained to welcome and encourage questions about compensation. Remember, employees are doing you a favor by asking questions about their pay levels. The alternative is to stay

quiet until they find a job somewhere else that pays better. And then leave a negative Glassdoor review about your company's culture and pay practices as a "parting gift".

**Necessary but risky: just compare numbers.** A common response to an employee asking if they are paid fairly is to show them the compensation spreadsheets and benchmarks used to calculate their pay levels. Being transparent about pay levels and how they are calculated is an important part of reducing pay anxiety. When doing this, it is critical show the total value of the rewards employees receive from the company including benefits, long-term payouts, and other non-payroll based financial investments the company makes in employees. A discussion of compensation should not just focus on paycheck numbers. It should incorporate the financial value of all the rewards and benefits given to employees.

Explaining compensation data is critical to reducing pay anxiety, but just comparing compensation numbers can also create considerable risks. First, you may find that data the employee has from public sites or third-party sources may suggest they are being underpaid in comparison to the company data you show them. Even if the employee's data is of questionable accuracy, it still drives their perception of what pay levels are appropriate. Second, employees may become confused by a company's compensation methods. Many managers do not fully understand how their company makes pay decisions. It is highly unlikely they can effectively explain these process to their employees. Third, you may discover that employees may not value many of the benefits being provided to them. For example, they may not need an expensive healthcare benefit package if they are already covered through their spouse. In sum, while sharing compensation formulas and levels should be part of the conversation with employees, it should not be the entire conversation.

**Good: Discuss total job value.** When talking about compensation, remember that pay levels are not by themselves the reason for pay dissatisfaction. Most people do not value money for the sake of money itself. They value money for two reasons. First, money is a critical resource enabling them to maintain a desired lifestyle, provide for themselves and others in their lives, and achieve long-term life goals. Second, money is a symbol of appreciation for their contributions to the company. For this reason, a good discussion of compensation starts with a discussion of what people want from their job in general including whether they feel valued and recognized as a member of the organization. Employees expressing anxiety of pay should be told that you will review compensation data with them in detail. But before "diving into the numbers" spend some time talking about their job and career in general. Why did they join your company to begin with? Aside from their compensation concerns, is their career progressing the way they want? Are they aware and taking advantage of different opportunities in the company? Do they feel they are getting the non-financial recognition they deserve as valued contributors?

Use the discussion about compensation as a chance to remind and reinforce all the other positive characteristics of their job and company. The reality is no company will even pay people what they want. Because people will always want more money, assuming they can get it without sacrificing other life goals. Companies do not pay people what they want. They pay people what they are willing to accept given other things they get from the job and the availability of alternative employment options. A conversation about compensation should also include a conversation about the other things that matter that "money just can't buy". And be sensitive to concerns employees may express that are not actually about compensation. For example, feeling a lack of advancement opportunity or feeling undervalued in general. Raising pay levels may temporarily alleviate the pain of feeling stuck in the wrong job, but it will not fix the issue. And while you do not want people quitting over pay, you probably do not want money to be the only reason they stick around.

**Great: Talk about the issue before it becomes an issue.** If employees feel compelled to ask their manager whether they are being paid fairly, then the company is doing a poor job communicating and explaining its compensation methods. Our study surfaced a major disconnect between what information compensation professionals think is being communicated to employees and managers and what employees and managers comprehend. Currently, most employees can probably get far more information about pay levels from PayScale.com than they can easily get from their own employer. Until this is changed, companies are going to be placed in the position of having to defend the fairness of their pay practices instead of talking about their value. Now is the time to start investing in methods and tools so your employees feel informed about their pay instead of feeling anxious about it.