



## **HR Toolkit**

# Pay Transparency and Equity

# Table of Contents

- Introduction.....4**
- Pay Transparency.....5**
  - Overview of Pay Transparency.....5
  - Pay Transparency Laws.....6
    - Current Pay Transparency Laws .....6
    - Pending Pay Transparency Laws.....6
    - Pay Disclosure Requirements .....7
    - Pay Data Reporting Requirements .....8
  - Pay Transparency Benefits.....8
  - Pay Transparency Considerations .....9
    - Compliance Challenges .....9
    - Employee Attraction and Retention..... 10
  - Summary .....10
- Pay Equity.....11**
  - Overview of Pay Equity.....11
  - Importance of Pay Equity .....11
  - Pay Equity Laws.....12
  - Pay Equity Reporting Requirements.....14
  - Pay Equity Considerations .....14
  - Summary .....15
- Establishing Equitable Pay Practices.....16**
  - Establishing Best Practices.....16
  - Developing Clear Compensation Policies.....17
  - Defining Salary Ranges and Job Responsibilities .....17
  - Communicating Pay Practices.....18
  - Pay Equity Audits.....18
    - Pay Equity Audits Basics ..... 18
    - Determining Scope of the Audit..... 19
    - Collecting Data ..... 19
    - Identifying Pay Disparities ..... 20
    - Analyzing Employee Pay Data ..... 20
    - Taking Remedial Action ..... 20
    - Benefits of Pay Equity Audits..... 20
    - Risks and Considerations for Pay Equity Audits..... 21

**HR Toolkit**

Pay Transparency and Equity

---

- Leveraging Technology ..... 21
- Employer Takeaways ..... 22
- Addressing Operational Challenges ..... 23**
  - Understanding Organizational Impact..... 23
  - Managing Employees’ Response ..... 23
  - Training Managers ..... 23
  - Addressing Remote Employees ..... 24
- Summary ..... 25**
- Appendix ..... 26**
  - Gender Pay Equity Scorecard..... 27
  - Pay Equity Audits..... 28
  - Pay Transparency ..... 31
  - Pay Equity Audits Infographic ..... 34

# Introduction

The call from workers for pay transparency and equity has never been louder or more essential than it is today. Pay transparency is the practice of openly sharing compensation information, such as pay rates and salary ranges, with applicants, employees and sometimes the public; pay equity is the process of reducing salary disparities among workers performing substantially similar work. Employees value pay transparency and equity because they provide workers with a clear understanding of how their compensation is determined, helping to develop trust with their employer and improve morale, job satisfaction and overall well-being. They can also empower employees to make more informed career decisions, negotiate competitive wages and advocate for themselves effectively.

Many employers are beginning to recognize that fostering inclusive and equitable compensation practices can yield substantial benefits for their organizations. Ensuring employees are paid equitably can safeguard against potentially unlawful wage gaps and reputational risks while promoting greater economic stability by strengthening employee morale, productivity and retention. Not only are more employers recognizing the importance and benefits of fostering an inclusive and equitable work environment, but an increasing number of states and localities are also enacting laws to ensure that employees are paid equitably for similar work, regardless of gender, race and other characteristics. As a result, more employers are being impacted by pay transparency and equity requirements. Therefore, it's vital that employers understand pay transparency and equity principles, including any applicable legal requirements, and how to implement effective pay practices that ensure workplace fairness and equity.

This HR Toolkit provides employers with an overview of pay transparency and equity. It offers employers key insights to help establish transparent and equitable compensation policies and practices, improving pay transparency and equity compliance. It also provides several valuable resources that can help organizations implement and improve their internal pay transparency and equity processes. These resources are only a sampling of those that are offered. For additional pay transparency and equity resources, employers can contact Troy Benefits Consulting.

Understanding effective pay transparency and equity practices and requirements can enable employers to better support their employees and mitigate potential legal risks. However, this toolkit provides a broad overview of pay transparency and equity and should not be construed as legal advice. Employers are encouraged to seek legal counsel to address specific concerns or issues.

# Pay Transparency

As a result of changing labor markets, more employees are demanding pay transparency. Pay-related websites, such as Glassdoor, have helped normalize pay transparency as an integral part of an individual's employment search and facilitate employee-driven conversations about pay. Employees value transparency because it holds employers accountable for providing similar wages for similar roles, builds trust and helps employees easily see if they are being compensated fairly.

Despite some employers' reluctance to embrace pay transparency—because it can reveal unintended pay gaps and trigger questions or potential legal action from applicants and employees—the practice has gained a stronger foothold. A growing number of jurisdictions now require employers to share pay information with applicants and employees. As a result, pay transparency requirements are impacting more employers. Therefore, it's critical that employers understand pay transparency and related laws and how those laws are impacting employers.

This section provides an overview of pay transparency, including legal requirements, potential benefits and organizational considerations for implementing transparent pay practices. The examples of pay transparency laws provided in this section are only a broad overview. Employers impacted by such laws should review all applicable laws and stay apprised of any changes. Due to the complexities of pay transparency laws, employers are encouraged to seek legal counsel to discuss any specific issues and concerns.



## Overview of Pay Transparency

Pay transparency is when an employer openly communicates pay-related information through established practices to current or prospective employees. This information generally includes the pay scales or salary ranges for specific positions. Employers can provide this information through various channels, such as online job sites, job postings or during an interview.

The goal of pay transparency is to help ensure fairness and equity in the workplace by providing employees and applicants with a better understanding of how they're compensated compared to other positions and individuals. Employees value pay transparency because it can help them avoid applying for jobs they wouldn't accept due to low pay, negotiate for better salaries and build trust with their employers.

## Pay Transparency Laws

It's becoming clear that pay transparency is not a passing trend. As demands for pay transparency increase, some states and localities have passed legislation requiring organizations to be transparent. Although there is no comprehensive federal pay transparency law in the United States, at the start of 2023, a quarter of all U.S. workers were covered under pay transparency laws.

### Current Pay Transparency Laws

Colorado was the first jurisdiction to enact pay transparency laws regarding job postings. As of 2021, [Colorado](#) employers must provide salary ranges and a general benefits overview in job postings for work to be performed in Colorado, even if the work is performed remotely within the state. Since then, over 15 states and localities have enacted their own pay transparency laws, including the following:

- [California](#) (effective Jan. 1, 2023)
- [Cincinnati, Ohio](#) (effective March 13, 2020)
- [Connecticut](#) (effective Oct. 1, 2021)
- [Hawaii](#) (effective Jan. 1, 2024)
- [Illinois](#) (effective Jan. 1, 2025)
- [Ithaca, New York](#) (effective Sept. 1, 2022)
- [Jersey City, New Jersey](#) (effective April 13, 2022)
- [Maryland](#) (effective Oct. 1, 2020)
- [Nevada](#) (effective Oct. 1, 2021)
- [New York](#) (effective Sept. 17, 2023)
- [New York City](#) (effective Nov. 1, 2022)
- [Rhode Island](#) (effective Jan. 1, 2023)
- [Toledo, Ohio](#) (effective June 25, 2020)
- [Washington](#) (effective Jan. 1, 2023)
- [Westchester County, New York](#) (effective Nov. 6, 2022)

### Pending Pay Transparency Laws

As a growing number of states and localities have embraced pay transparency, it's likely that more will do so over the next few years. In fact, the number of workers covered by pay transparency laws could double within the next few years as 14 states and the District of Columbia have introduced pay transparency legislation and are currently considering these laws. These states include:

- Alaska
- Georgia

## HR Toolkit

### Pay Transparency and Equity

---

- Iowa
- Kentucky
- Maine
- Massachusetts
- Missouri
- Montana
- New Jersey
- Oregon
- South Dakota
- Vermont
- Virginia
- West Virginia

### Pay Disclosure Requirements

Pay transparency laws often require employers to provide information on the salary or wage range they intend to pay an individual for a particular role. While most states and localities that have enacted pay transparency laws have some requirement to disclose salary or wage range information, these laws often differ in significant ways. In addition to requiring employers to provide pay range information, some jurisdictions, such as Colorado and Washington, require employers to disclose benefits information.

Consider the following examples of how these requirements can differ based on the jurisdiction:



In **California**, covered employers must provide pay scale information (e.g., pay scales, hourly or salary compensation) in any job posting.



In **Colorado**, covered employers must provide pay range information in any job listing that could be performed in the state.



In **New York City**, covered employers must provide the minimum and maximum annual salary (or hourly wage) for all job postings, promotions and transfer opportunities.



In **Maryland**, employers must disclose pay ranges upon an applicant's request.

## HR Toolkit

### Pay Transparency and Equity

---



In **Connecticut**, covered employers must disclose wage ranges to current employees and applicants upon receipt of an applicant's request or the communication of a job offer, whichever comes first.



In **Rhode Island**, covered employers must provide pay range information upon an applicant's request and prior to discussing compensation. This can occur at the time of hire or when an employee moves into a new position. Covered employers must also disclose wage ranges to employees upon request.



In **Washington**, covered employers must disclose minimum wage and salary information upon an applicant's request if an offer of employment has been made.



In **Nevada**, employers must provide wage and salary information to applicants who have completed an interview.

### Pay Data Reporting Requirements

In addition to requiring employers to disclose salary or wage scale information, some jurisdictions also require employers to report employee pay data as a method to achieve pay transparency. Under this approach, employers typically must file reports with government agencies or entities detailing employee wages by race, gender, ethnicity, age and other categories. These reports aim to hold organizations accountable for inequitable pay practices.

States can institute their own requirements for pay data reporting. For example, California requires employers with 100 or more employees to submit annual reports that include mean and median hourly rate information that are categorized by race, ethnicity, gender and job category.

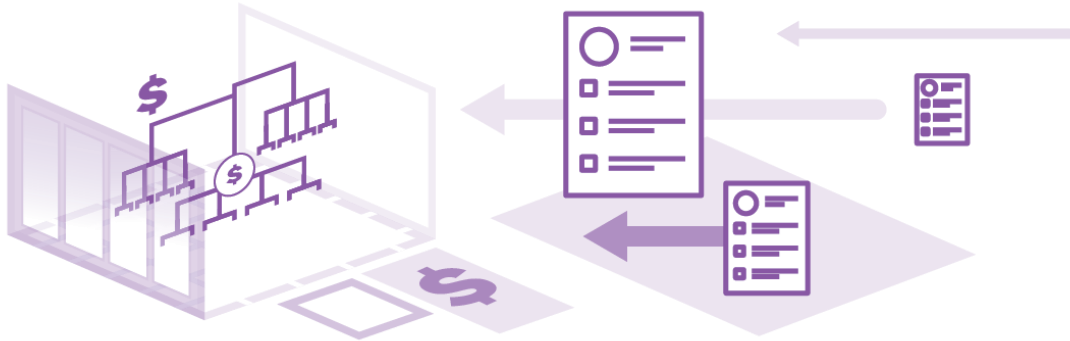
### Pay Transparency Benefits

Pay transparency is not a temporary trend. Not only are more states and localities implementing pay transparency laws each year, but pay transparency is also more important to workers, especially among younger employees. The way younger generations, which make up a growing percentage of today's workforce, think about pay differs from how employers have historically treated compensation conversations and practices. Consequently, organizations may need to embrace pay transparency as more millennials and members of Generation Z enter the workforce to make themselves attractive to these workers.

While pay transparency may sound like another average employment-related issue, it's a great opportunity for employers to cultivate trust with their employees. Even if employers are not compensating the employee more than their competitors, simply taking the time to discuss pay with employees and candidates can help build trust. This small change has the potential to help employers build and strengthen employee relationships. Further, providing this information can help organizations stay ahead of pay disclosure mandates, which is becoming increasingly important as they hire more remote employees.



Additionally, employers that provide pay transparency information tend to receive more applicants. By disclosing salary information and ranges to applicants, employers can also save time and money in recruitment efforts by ensuring candidates don't reject job offers due to insufficient pay. A recent Visier Pay Transparency Pulse Report found the most important factor potential employees consider when deciding whether to apply for a job is their estimated compensation. Further, 11% of candidates stated that they would not apply or interview for a role without knowing the salary band, and 50% abandoned an application or interview process because the pay did not meet their expectations once the employer revealed it.



## Pay Transparency Considerations

Implementing pay transparency practices is not without financial and legal risks. Many employers are hesitant to enact such measures because they are concerned about how existing employees may react; after all, pay transparency can reveal unintended pay gaps and trigger more questions from current workers. Providing this information can also potentially leave organizations vulnerable to pay equity lawsuits. As such, organizations should carefully weigh the benefits and disadvantages of implementing pay transparency practices.

### Compliance Challenges

Pay transparency laws present distinct compliance challenges for employers subject to them since they vary depending on the state or locality. Employers who fail to comply with these laws can incur costly penalties between \$300 to \$250,000, depending on the jurisdiction. Employers need to consider the applicable rules and regulations related to pay transparency in their jurisdiction; however, compliance difficulties are often greater for organizations that recruit and hire employees across state lines.

Organizational pay transparency compliance has been further complicated by the general acceptance of remote work. Hiring remote workers can trigger legal obligations and create potential risks even in states where employers do not have a physical presence. For example, an employer advertising a remote work position that can be performed in any state may need to ensure the job posting complies with all applicable pay transparency laws throughout the country, including salary range or benefits information. It's unlikely that employers can avoid their pay transparency obligations by stating that residents of specific states are not eligible to apply, as states like Colorado do not permit this.

To avoid these potential issues, some employers restrict remote work entirely or require candidates to be located in states or localities that do not have pay transparency laws. Some employers provide broad wage information, such as minimum and maximum salaries for open positions, or adjust their compensation structures to include variable compensation elements, such as equity grants and discretionary bonuses. Additionally, organizations may include qualifying language in their postings that clarifies that the salary for a specific position varies depending on a candidate's experience and geographic location.

### **Employee Attraction and Retention**

Even if an employer is in a jurisdiction that may not require pay transparency, it may be beneficial to provide pay-related information since employees and applicants are more frequently demanding it and, thus, it's attractive. Employees overwhelmingly support pay transparency. According to recent data from global employment website Monster, 98% of employees said employers should disclose pay ranges in job postings, with more than half saying they'd refuse to apply for jobs that do not disclose pay ranges, even in states where pay transparency isn't legally required.

Since pay transparency is valued by applicants and employees, employers can benefit from providing pay-related information even when not required to do so. Employees value pay transparency because it holds employers accountable for providing similar wages for similar roles; therefore, employers can build trust with employees and applicants by disclosing wage and salary information. Employers who provide pay transparency information tend to receive more applicants and save time and money in recruitment efforts by ensuring candidates don't reject job offers due to insufficient pay.

Moreover, because employees today often demand higher pay, employers are likely to appear more favorable to employees by providing pay transparency. Employees want to see that they are being paid what they deserve, and they may be willing to leave their current roles to find what they want, regardless of whether or not the law requires employers to publish this information. To meet employee desires, employers may consider implementing practices such as publishing pay scales for their open positions or hosting informational training sessions on pay-related topics.

### **Summary**

It's vital that employers understand pay transparency laws, as it's likely that more states and localities will adopt these regulations in the near future. Additionally, pay transparency is rising on the list of employees' demands, so employers should consider preparing to provide it. There are different ways employers can increase their pay transparency, and doing so may help improve attraction. Since many jurisdictions require pay transparency, impacted employers should confer with local legal counsel to ensure compliance with applicable laws.

# Pay Equity

Pay equity is becoming a larger and more important concern for many organizations. Several federal laws require covered employers to ensure equitable and fair pay practices; failing to do so can result in costly legal action and attorneys’ fees. However, the applicability of these laws depends on an employer’s size. An employer’s size—meaning the number of employees—is a key factor in determining which federal pay equity laws the employer must comply with. Therefore, it’s vital for employers to be aware of the size-based pay equity laws that may apply to their organizations to ensure compliance with all applicable laws and regulations.

Moreover, even when organizations are not legally required to establish equitable compensation practices, the nationwide normalization of pay transparency is leading employers to prioritize pay equity. Employers who embrace pay equity can often gain a competitive advantage in attracting top talent over those who don’t because prospective employees are increasingly scrutinizing employers’ commitment to fairness and diversity when considering employment opportunities. Pay equity can also help employers cultivate a loyal and engaged workforce, reducing turnover and recruitment, onboarding and training costs.

This section provides an overview of pay equity, including pay equity-related laws and legal requirements. This section is not intended to provide or be a substitute for legal advice. Employers are encouraged to seek legal counsel to address specific issues and concerns related to pay equity.

## Overview of Pay Equity

Pay equity is the practice of compensating employees the same when they perform the same or similar job duties while accounting for factors such as experience, job performance and tenure, regardless of gender, race and other protected characteristics. This practice takes into account all forms of compensation, such as salary, overtime pay, bonuses, stock options, profit sharing and bonus plans, life insurance, vacation and holiday pay, cleaning or gasoline allowances, hotel accommodations, reimbursement for travel expenses and other benefits.

## Importance of Pay Equity

Organizations that embrace and establish equitable practices can gain a strategic advantage in today’s competitive labor market. When employees feel that their contributions are valued and rewarded fairly, they are more likely to remain loyal to an organization and engaged. This can not only increase organizational efficiency, productivity and profitability, but it can also help employers establish a competitive and diverse workforce.

Employers who prioritize pay equity tend to experience the following benefits:

Improved workforce productivity and morale	Increased organizational commitment	Reduced employee turnover	Increased attraction of key talent	Decreased risks of discrimination or pay inequity lawsuits	Greater compliance with equal pay laws and regulations
--	-------------------------------------	---------------------------	------------------------------------	--	--

Employers are becoming subject to increasing pressure, including pay equity legislation, to address pay gaps that may be based on gender, race and other characteristics. Therefore, it's important that employers are aware of any federal, state or local pay equity laws that might apply to their organizations. Violations of these laws can lead to costly lawsuits and class action litigation. However, some pay equity laws include safe harbor provisions for employers that affirmatively take action to eliminate or reduce pay disparities, such as pay equity audits. Employers that proactively address pay equity within their organizations may be able to mitigate or avoid potential legal risks and actions.

## Pay Equity Laws

Pay equity laws are designed to ensure that employees are paid fairly and equally for performing jobs that are substantially similar, regardless of gender, race and other protected characteristics. These laws aim to address unlawful and sometimes historic wage disparities while promoting equality in the workplace.

Employees' right to be free from discrimination in their compensation is protected under several federal laws, including the Equal Pay Act of 1963 (EPA), Title VII of the Civil Rights Act of 1964 (Title VII), the Age Discrimination in Employment Act of 1967 (ADEA), Title I of the Americans with Disabilities Act of 1990 (ADA), the Lilly Ledbetter Fair Pay Act of 2009, the Genetic Information Nondiscrimination Act of 2008 (GINA), and Sections 501 and 505 of the Rehabilitation Act of 1973. These laws are enforced by the U.S. Equal Employment Opportunity Commission (EEOC), and violations can lead to employees being awarded back pay and promotions or other corrective actions to remedy their situation. Employers may also be subject to other federal, state or local pay equity laws. Therefore, employers are encouraged to confer with local legal counsel regarding the applicability of these laws and address any compliance issues.

The following is an overview of federal pay equity laws that are enforced by the EEOC:

**EPA**—Employers must provide equal compensation to men and women who perform equal work within the same establishment. Job content, not job titles, determines whether jobs are substantially similar. Specifically, the EPA provides that employers may not pay unequal wages to men and women who perform jobs that require substantially equal skill, effort and responsibility and that are performed under similar working conditions within the same establishment. For additional information, employers can review the EEOC's [Facts about Equal Pay and Compensation Discrimination](#).

**Title VII**—This law makes it illegal to discriminate against someone on the basis of race, color, religion, national origin or sex. This includes pay discrimination. While the EPA requires men's and women's jobs to be substantially equal, under Title VII, there's no requirement that the jobs be substantially equal. Instead, comparisons can be made between the compensation rates of similarly situated employees, which is a lower standard than the EPA's substantially equal work requirement. However, under the EPA, a worker does not need to establish that their employer acted with discriminatory intent as they do under Title VII. Most often, pay discrimination lawsuits are brought under Title VII, the EPA or both statutes.

**ADEA**—This law prohibits employers from discriminating against employees or applicants who are age 40 or older based on their age. The ADEA also prohibits compensation discrimination on the basis of age. For more information, employers are encouraged to review the EEOC’s [Facts About Age Discrimination](#). The ADEA prohibits compensation discrimination on the basis of age.

**Title I of the ADA**—This law prohibits employers from discriminating against qualified individuals with disabilities in all employment practices, such as recruitment, compensation, hiring and firing, job assignments, training, leave and benefits. The ADA also requires employers to reasonably accommodate the known physical or mental limitations of qualified applicants or employees with a disability. For additional resources, employers are encouraged to review the EEOC’s [Facts About the Americans with Disabilities Act](#).

**The Lilly Ledbetter Fair Pay Act**—This act amended Title VII and other federal statutes in response to the U.S. Supreme Court’s decision in *Ledbetter v. Goodyear Tire & Rubber Co.* Under this law, an unlawful pay discrimination claim occurs when an employer adopts a discriminatory compensation decision or practice, an individual becomes subject to a discriminatory compensation decision or practice, and an individual is affected by discriminatory compensation decisions and other practices, including any time wages, benefits or other compensation are provided. As a result, the Lilly Ledbetter Fair Pay Act helps determine the timeliness of unfair wage claims.

**GINA**—This law prohibits employers from discriminating against employees or applicants based on their genetic information. Genetic information includes information about an individual’s genetic tests and the genetic tests of the individual’s family members. GINA also makes it illegal for employers to engage in pay discrimination based on an employee’s or applicant’s genetic information. For more information, employers are encouraged to review the EEOC’s [Fact Sheet: Genetic Information Nondiscrimination Act](#).

**Sections 501 and 505 of the Rehabilitation Act**—This act makes it illegal to discriminate against a qualified person with a disability in the federal government, including pay discrimination.

While these laws aim to prevent and remedy instances of pay discrimination, their scope, coverage and statute of limitations differ. For example, the EPA covers virtually all employers; however, only employers with 15 or more employees are covered under Title VII and the ADA. Employers with 20 or more employees are covered under the ADEA. Additionally, employees have two years to file a lawsuit in court or a complaint with the EEOC under the EPA. Under Title VII, the ADA and ADEA, individuals have 180 days to file a charge of discrimination with the EEOC; however, the deadlines for filing a charge with the EEOC under Title VII, the ADA and ADEA may be extended by state laws.

For claims of pay discrimination, these laws cover all forms of pay, including:

- Salary
- Overtime pay
- Bonuses
- Stock options
- Profit sharing
- Bonus plans
- Vacation and holiday pay
- Insurance
- Cleaning or gasoline allowances
- Hotel accommodations
- Reimbursement for travel expenses
- Use of company vehicles
- Benefits

Importantly, if there are pay disparities based on gender, employers may not reduce the wages of either sex to equalize their pay.

## Pay Equity Reporting Requirements

Despite federal laws requiring that employees be paid equally for equal work, there continue to be significant pay gaps in the United States based on gender, race and other protected characteristics. Pay reporting requirements aim to identify, address and reduce these pay gaps. For example, the EEOC started requiring employers with 100 or more employees to collect pay data when it instituted the EEO-1 Component 2 report in 2016. This report required employers to provide employee income information categorized by gender, race, ethnicity and employee job category. The agency only collected this information in 2017 and 2018. However, it is possible that the EEOC will require employers to provide employee pay data in the future.

Some states have started requiring employers to provide information regarding their pay practices to state agencies. For example, California and Illinois have enacted pay data reporting requirements on certain employers. The purpose of these reporting requirements is to encourage employers to review their pay practices for potential inequities based on protected characteristics, as well as to enable employees to pursue pay equity claims in court.

## Pay Equity Considerations

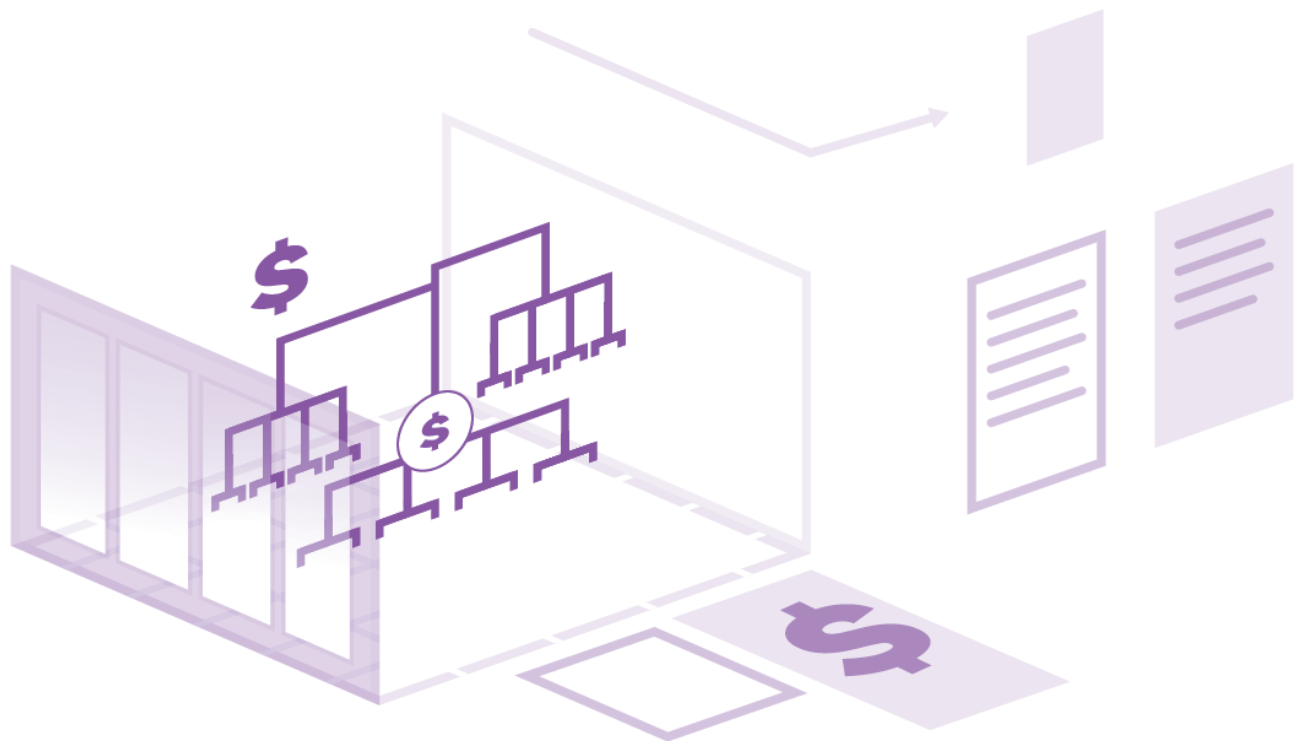
Pay equity requires that employees receive equal pay for performing substantially similar or equal work, regardless of gender, race or other characteristics. However, pay equity laws are often complex and vary from state to state. Violations often result in substantial penalties and legal fees. Taking a holistic approach to pay equity, such as reviewing policies, applications and other compensation-related documents, can help organizations ensure compliance with evolving pay equity legal requirements and mitigate their risks. Training individuals responsible for determining and evaluating employee compensation can help organizations ensure compliance with pay equity laws. Employers may not be required to conduct pay equity audits to assess and remedy existing wage gaps that are based on gender, race and other characteristics, but they can be powerful tools in helping organizations to analyze compensation data, eliminate pay disparities and safeguard against potential legal action. Pay equity audits are discussed in more detail in the next section.

Moreover, since pay equity laws can vary significantly depending on the jurisdiction, transparency is important in ensuring employees are compensated equitably. Being transparent can help organizations identify and address wage disparities. This can include disclosing pay scales or ranges for specific jobs,

similar to pay transparency requirements. This can not only help employers comply with pay equity laws but also improve attraction, retention and employee productivity.

## Summary

Violating pay equity laws can be extremely costly. These lawsuits can not only result in significant jury awards and attorneys' fees, but they can negatively impact employee morale and productivity, increasing turnover and injuring an employer's reputation or brand. Therefore, understanding pay equity laws and establishing equitable compensation practices can help employers remain compliant, mitigate potential legal risks and strengthen their workforce. As with pay transparency laws, pay equity laws vary greatly depending on the jurisdiction; therefore, employers should consider conferring with local legal counsel to ensure compliance with all applicable laws and requirements.



# Establishing Equitable Pay Practices

As more jurisdictions adopt pay equity laws and more applicants and employees demand employers be transparent with their compensation, establishing and ensuring equitable pay practices is more important than ever. Creating a workplace free from pay discrimination is not only a legal requirement for most employers but also crucial for promoting employee well-being, productivity and organizational success. Even if employers are currently unaffected by pay transparency mandates, they should consider developing strategies to address this issue since pay transparency likely already impacts them directly or indirectly. Despite the increased focus on these practices, many employers don't know where to begin when implementing pay equity measures. Establishing transparent and equitable pay practices is important for creating an inclusive and fair workplace.

This section provides suggested best practices and strategies to help employers implement equitable pay practices.

## Establishing Best Practices

Best practices are procedures that assist an organization in functioning more efficiently and achieving better results. When done effectively, they can guide an organization's course of action in a particular situation or in response to an issue or problem. Pay transparency and equity best practices will likely vary for each organization, but employers can rely on these guiding principles to develop their own:



**Conduct research.** Before organizations can develop and implement best practices, they need to accurately understand their current practices and what other successful organizations are doing. Analyzing their current practices and researching others' can direct organizations where to start when developing their own best practices.



**Document findings and potential changes.** After organizations have identified the most pressing challenges and issues and appropriate best practices for their organization, they can be documented and shared with all stakeholders.



**Define metrics for best practices.** After organizations determine appropriate best practices, they can establish clearly defined metrics that allow them to track and measure whether they are meeting their practices.



**Implement changes.** Once organizations have determined a set of best practices and established metrics to track them, it's time to implement them. Establishing policies and procedures can help organizations ensure these best practices are documented and followed. Organizations must communicate changes, expectations and metrics to all employees when implementing best practices. They can consider providing training to any individuals responsible for implementing, tracking or overseeing an organization's best practices.



**Reevaluate and improve.** Organizations can regularly reevaluate and improve their best practices to ensure they meet business needs and account for regulatory and industry changes.



## Developing Clear Compensation Policies

Establishing clear and comprehensive compensation policies is essential when establishing transparent and equitable pay practices. These policies can guide employers as they make pay-related decisions, including:

- Crafting job positions
- Extending employment offers
- Awarding raises, bonuses and stock grants
- Offering promotions
- Engaging in salary negotiations

Organizations should ensure that these policies are based on objective criteria, such as job responsibilities, skills and performance metrics, rather than subject factors and protected characteristics. Pay equity is an ongoing process, and as a result, compensation practices should be reviewed regularly and adjusted as needed.

Compensation committees can also help organizations implement equitable compensation strategies and remedy existing pay gaps. These committees can help employers do this by:

- Creating equitable salary ranges
- Establishing equitable compensation practices
- Complying with federal and state pay equity laws
- Implementing pay equity software or other tools

Moreover, an increasing number of employers are embracing environmental, social and governance programs (ESG) and diversity, equity, inclusion and belonging initiatives (DEIB). Pay transparency and equity practices are important aspects of ESG and DEIB programs and policies since they help create an inclusive workplace.

## Defining Salary Ranges and Job Responsibilities

Established salary ranges and job responsibilities help employers ensure their employees are paid equitably and help control payroll expenses. Defining salary ranges and job responsibilities enables employers to document and explain why employees are paid a certain salary or wage and to account for and remedy any disparities. This can help organizations respond to employees' compensation-related inquiries and protect against potential legal action. This process is frequently referred to as standardizing pay practices.

Employers can standardize their pay practices by auditing all existing job positions, including each position's responsibilities, qualifications, working conditions and importance. This can be accomplished by conducting employee interviews and surveys as well as by observing employees as they work. While the goal of this analysis is to create clearly defined job descriptions, it can often help lead to transparent and equitable pay practices.

After employers develop accurate job descriptions, they can decide whether any positions should be grouped together into job categories (e.g., administrative, technical, management). Employers can then decide whether each job category will have a single or multiple pay grades. Next, employers can rank each job based on its responsibilities and relative worth compared to others in the organization and create salary ranges for each job position or category. Conducting market research can help ensure that employees are being paid comparably to similar positions in the marketplace.

## Communicating Pay Practices

Employee communication is critical when implementing transparent and equitable pay practices. When done well, it can reduce employee dissatisfaction, disengagement and turnover. Employers should establish the key messages they want to convey to their employees and then communicate them simply and clearly. During communications development, employers should consider sharing why they are implementing or changing pay practices. It's important to help employees understand why it's necessary to implement transparent and equitable pay practices as well as convey any benefits these practices may bring and how employees will be impacted now and in the future. Using multiple communication channels can help make sure all employees receive these communications.

It's likely that employees will have questions or concerns once they learn about new or different compensation practices. Providing employees with opportunities to meet with managers and HR representatives to address any questions or concerns they may have can increase the likelihood that employees understand and accept changes. It can also reduce potential negative consequences and challenges that are often associated with implementing pay transparency and equity practices.

## Pay Equity Audits

A pay equity audit is the process of analyzing compensation data of employees doing similar work within an organization. It can be an effective tool for providing employers with information to identify pay disparities among workers. Performing pay equity audits can help employers determine if any pay discrepancies are based on legitimate, nondiscriminatory reasons, such as seniority or education. If pay discrepancies cannot be explained by nondiscriminatory reasons, the audit allows employers to correct them.

The purpose of pay equity audits goes beyond just identifying whether pay disparities exist; they help explain why they exist by reviewing specific pay decisions and policies. Such audits can help employers evaluate and improve their compensation practices, address pay gaps and limit potential legal risks. In some states, conducting a self-audit of pay practices can protect employers against legal claims based on pay inequities.

Overall, pay equity audits can be an effective way to ensure employees are compensated fairly for the work they do.

## Pay Equity Audits Basics

A pay equity audit is a data-driven, systematic process that employers can undertake to evaluate and remedy compensation disparities based on gender or other protected categories. This often involves a comprehensive analysis of wage data, job roles and other considerations to identify unexplained pay discrepancies.

The primary goal of a pay equity audit is to determine whether employees are receiving equal pay for equal work, regardless of gender, race or other protected characteristics. Audits enable employers to identify whether pay disparities exist, determine the root causes behind these disparities, and take corrective action to achieve fair and equitable pay practices. Pay equity audits not only help employers comply with legal requirements but also demonstrate their commitment to fostering a diverse and inclusive workplace where employees are treated equally and rewarded fairly for their contributions. Employers can consider the following components of conducting a pay equity audit.

#### **Determining Scope of the Audit**

Before employers begin collecting and analyzing compensation data, they must determine the scope of the audit. This may include defining the audit's scope (e.g., disparities based on protected characteristics, such as gender, race and ethnicity) and objectives (e.g., remedial or causal analysis). Once an organization establishes the scope of its pay equity audit, it's critical that the employer establishes a timeline for completing the audit and decides which individuals or departments, such as HR, finance and legal, will be involved in the audit. This may include third parties, including labor economists, statisticians, professional employer organizations and outside legal counsel.

#### **Collecting Data**

After organizations establish the scope of their pay equity audit, the next step is to begin gathering pay-related data. This generally includes collecting job descriptions and qualifications for each job or job category that will be examined. Employers can collect the following data for each employee in the job or job category to be analyzed:

- Job title
- Hire date
- Gender or other demographic information (i.e., race, ethnicity and age)
- Work location
- Resume
- Employment application
- Total hours worked
- Total compensation data, including salary, overtime pay, bonuses, stock options and other benefits

## Identifying Pay Disparities

Once all relevant data for the pay equity audit is gathered, employers should review job descriptions or categories to determine whether their employees' job titles and descriptions accurately reflect:

---

The job's duties, experience, skills, education and training

---

The job's responsibilities

---

The mental or physical exertion required to perform the job

---

The job's working conditions

Analyzing pay data by job grouping can help determine which employees are performing equal or substantially similar work based on factors such as skill, responsibility, effort and working conditions.

After collecting all relevant data, employers can average the total pay for each job grouping to determine whether any pay disparities exist. This will allow organizations to determine whether pay differences exist between men and women (or between other demographic groupings) for each job or job category.

## Analyzing Employee Pay Data

Evaluating pay data allows organizations to account for any pay differences between men and women (or between other demographic groupings) for each job or job category, including identifying the causes for pay differences, if any. This step in a pay equity audit helps employers evaluate whether there are legitimate and legal reasons for any pay differences, such as seniority, merit, training or experience, and assess whether gender (or other demographic information) is one of the reasons for the pay differences.

## Taking Remedial Action

A pay equity audit does not end after an employer collects and analyzes pay data for disparities. It's important for organizations to take remedial action based on the results of pay equity audits, if necessary. Remedial action may include making salary adjustments for employees whose pay differences are based on biased or subjective criteria. Such action can help ensure that employers comply with any federal, state or local pay equity requirements.

In addition to taking remedial action, employers can develop strategies for ensuring equitable compensation practices, such as implementing salary bands or ranges to promote pay transparency and evaluating recruitment and hiring practices or promotion policies. Monitoring and regularly evaluating an employer's pay equity plan and initiatives can also help organizations reduce potential legal risks.

## Benefits of Pay Equity Audits

Pay equity audits can help organizations identify and correct pay discrepancies, reducing potential legal risks. They can also increase employee morale and productivity. Ensuring employees are paid equitably for their work helps strengthen an organization's culture. Employee morale, turnover and retention rates, and performance often improve when workers feel valued. Paying employees the same for performing the same or similar jobs is a key component of helping workers feel valued, which can lead to generally

more committed and productive employees. In turn, this helps drive organizational productivity and profitability.

Additionally, pay equity audits can help employers develop better workplace policies and procedures related to compensation, such as establishing consistent starting pay ranges and determining factors for merit increases, promotions and other incentives. Audit results can also inform an employer's training efforts to ensure fair pay decisions are made throughout the organization.

### **Risks and Considerations for Pay Equity Audits**

While an organization's intentions behind conducting pay equity audits are often noble—determining whether pay disparities are lawful and, if not, correcting them—audit results can be extremely damaging if disclosed. Inadvertent disclosure of audit results or analysis can harm an organization's reputation and expose it to lawsuits or other legal action.

To protect against these potential risks, many employers utilize the attorney-client privilege or work product doctrine when conducting pay equity audits. Employers can do this by engaging legal counsel to initiate and lead the audit. Employers can also determine how best to communicate pay equity audit results to their employees and incorporate those results into organizational pay practices.

### **Leveraging Technology**

Complying with pay transparency and equity requirements is an ongoing administrative challenge for employers. Additionally, reviewing job descriptions, duties and pay ranges is often a time-consuming and manual process. Thus, technology is becoming a critical component of managing and implementing transparent and equitable pay practices for many organizations, as it effectively reduces operational costs and improves compliance efforts. Pay equity analytics and technology can be used to help employers with the following:

- Analyzing internal and external compensation equity
- Defining demographic categories, such as gender, race and ethnicity
- Conducting ongoing statistical analysis to identify issues and provide a clearer picture of pay equity issues

Leveraging technology can help ensure that pay rates and ranges are equitable both internally and externally. It can also provide critical benchmarking data on a variety of job positions in an employer's geographical area. Implementing technology solutions can quickly generate important pay-related data, enabling employers to save time and resources.

There are many technology solutions for employers to choose from, but knowing where to start can be overwhelming. Employers can consider using a vendor to provide pay transparency and equity technology solutions. Many vendors provide tools to evaluate pay gaps, establish best practices and mitigate legal risks. Before selecting a vendor, it's important to understand the compensation-related issues an organization needs to solve. Choosing a reputable vendor is critical for employers to effectively address their compliance needs and improve organizational efficiency.

## Employer Takeaways

Pay transparency and equity laws and requirements present particular and ongoing challenges for employers. Ensuring compliance requires employers to implement effective internal processes and procedures. The best practices will vary depending on an organization's unique needs; however, understanding the operational challenges associated with pay transparency and equity and implementing best practices and solutions may enable employers to better allocate their resources, improve compliance and achieve better results. These efforts can reduce employers' overall operational costs, limit their potential legal exposure, and improve employee productivity and morale.

# Addressing Operational Challenges

Complying with pay transparency and equity requirements can be challenging. Despite the growing number of states embracing pay transparency laws, many employers may feel excessive transparency is unrealistic or can create more significant workplace challenges. Employers must spend much time and resources on establishing and maintaining transparency and equitable pay practices that comply with legal requirements. While the challenges employers face can differ based on their unique characteristics and specific circumstances, there are many common operational challenges that must be addressed when implementing pay transparency and equity practices.

This section addresses common challenges employers face when implementing equitable pay practices.

## Understanding Organizational Impact

Complying with pay transparency laws can be overwhelming. Ensuring that employees working the same or similar jobs are paid the same may also require organizations to revise their compensation structures and policies and regularly review job postings and worker responsibilities. This can create or increase employers' financial burden if they must equalize compensation for a significant number of employees. It can also be time-consuming and increase an organization's operational burden if they must correct or change compensation structures, job postings and onboarding practices. In addition, one of the largest challenges is finding the balance between transparency and privacy. Failing to protect sensitive compensation and employee data can lead to legal issues.

Moreover, efforts to create an equitable and transparent compensation culture can potentially hurt the employer's reputation and brand, especially if there are large pay discrepancies between workers. In some situations, it may take an organization years to recover or even lead to costly legal action.

## Managing Employees' Response

Even though disclosing compensation-related information can promote equity and fairness, it can also create disputes, discomfort and envy among employees. For example, once employees have access to compensation data, they may be unwilling to provide unsolicited assistance to co-workers. Revealing inequitable compensation can create a ripple effect across an organization's business. Employees can become dissatisfied or disengaged. It can even increase employee turnover, reduce an organization's talent pool or lead to competitors stealing key talent. Employees may also use access to compensation to negotiate for higher wages.

## Training Managers

Employers often rely on managers and supervisors to oversee or address employee compensation matters, such as salary negotiations, raises and bonuses. This can lead to issues if managers are unaware of or neglect to consider pay transparency and equity laws. Despite employers' best efforts, training managers can be challenging due to limited time, high turnover and lack of support from upper management. Training efforts can be further complicated by the fact that pay transparency and equity laws are often complex.

## HR Toolkit

### Pay Transparency and Equity

---

Proper and thorough training allows managers to recognize and respond to pay transparency and equity issues. Despite the time and resources required to train managers, organizations can save time and money in the long run by prioritizing it.

Employers can train managers to:

Understand current pay transparency and equity laws and guidelines.	Identify situations that may trigger pay transparency and equity obligations.	Know how to respond to employee requests or questions related to pay and benefits.	Comprehend organizational principles governing employee compensation and benefits packages.	Communicate pay-related information and decisions effectively.
---	---	--	---	--

Effective training ensures that managers have the necessary skills and knowledge to respond to employee questions about pay and benefits. It can also help employers mitigate unconscious bias and discriminatory practices.

## Addressing Remote Employees

Pay transparency and equity laws can create compliance challenges for employers with remote employees. Even if an employer is located in a jurisdiction that has not adopted pay transparency and equity laws, employing remote workers in jurisdictions that have can trigger compliance obligations. In some situations, simply posting a job opening or advertisement that can be performed in a state with pay transparency laws may force organizations to comply with pay transparency requirements. This can increase an organization's operational burden and create compliance difficulties.

Some employers may respond to the recent pay transparency trend by excluding remote workers or workers who reside in states with pay transparency laws. However, this is likely not a sustainable strategy for many employers, as it can limit their recruiting pool. In contrast, to address potential issues of recruiting remote workers or employees from states with pay transparency obligations, employers can ensure their job postings comply with the strictest pay transparency requirements. This can include revamping hiring and recruitment practices to comply with pay transparency requirements, standardizing job postings to include salary ranges and benefits information, or tailoring job postings for states and localities with pay transparency laws.



## Summary

Equitable and transparent employee compensation is becoming more important in today's evolving work landscape. Employers can play a critical role in ensuring employees are compensated fairly and equitably. By understanding the pay transparency and equity requirements, employers can take action to make sure they comply with all applicable legal requirements. Employers can regularly evaluate their compensation practices to determine how well they meet pay transparency and equity requirements and whether they align with their organizational values. While strategies for successfully establishing transparent and equitable compensation practices will likely vary based on the unique circumstances of each organization, preparing now and prioritizing fair compensation practices to prevent workplace discrimination can help employers improve their overall compliance efforts, reduce operational costs, improve employee morale and productivity, and set themselves up for long-term success.

This HR Toolkit provides a general overview of pay transparency and equity. Since this is a fast-evolving area, employers should regularly review their compensation practices and policies to evaluate how well they adhere to applicable laws and requirements and align with organizational values. This can help employers address issues before they become costly problems and improve their bottom line. Due to the complexities of pay transparency and equity requirements, employers are encouraged to discuss specific questions with an employment attorney.

Contact us today for more information about pay transparency and equity.

# Appendix

Complying with pay transparency and equity requirements is often complex and time-consuming. This section removes some of that burden by offering valuable resources you can print or email and use for your organization. This appendix features checklists, infographics and more. Please review these resources when implementing or accessing organizational compensation practices. The information included in this section may require some customization, and it should only be used as a framework. Due to the complex nature of pay transparency and equity compliance, organizations are encouraged to seek legal counsel to discuss and address specific issues and concerns.

The resources included in this appendix are just a small sampling of the materials that are available to employers. By contacting Troy Benefits Consulting, employers may have access to an entire library of compliance-related materials. Please speak with Troy Benefits Consulting if you have any questions about these materials or any other content in this HR Toolkit.

## **Printing Help**

There are many printable resources in this appendix. Please follow the instructions below if you need help printing individual pages.

1. Choose the “Print” option from the “File” menu.
2. Under the “Settings” option, click on the arrow next to “Print All Pages” to access the drop-down menu. Select “Custom Print” and enter the page number range you would like to print or enter the page number range you would like to print in the “Pages” box.
3. Click “Print.” For more information, please visit the Microsoft Word [printing support page](#).

# GENDER PAY EQUITY SCORECARD

Federal law prohibits virtually all employers from compensating employees differently based on gender. Use this scorecard to evaluate your organization's risk of violating gender pay equity requirements.

**Instructions:** Begin by answering the questions below. Each response will be given a numerical value depending on the answer. After completing the questions, total your score using the scale at the bottom of the page.

**Yes:** 0 points | **No:** 2 points | **Unsure:** 2 points

QUESTIONS	YES	NO	UNSURE	SCORE
1. Do you have a gender pay equity strategy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Do you have up-to-date job descriptions and pay range within positions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. Have you reviewed and implemented policies to comply with federal gender pay equity requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. Have you reviewed and implemented policies to comply with state and local gender pay equity requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Have you conducted a pay audit recently (within the last year)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6. Have you ever conducted a pay audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. Does your organization use the red and green circle mechanism when conducting self-audits?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8. Have you evaluated or do you use compensation tool vendors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9. Do you have a strategy in place to respond to individual gender pay equity complaints?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. Do you have a strategy in place to respond to group gender pay equity complaints?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>TOTAL SCORE</b>				

**Low risk.** Contact Troy Benefits Consulting to confirm: 0-6

**Moderate risk.** Contact Troy Benefits Consulting soon: 7-13

**High risk.** Contact Troy Benefits Consulting today: 14-20

# CHECKLIST | Pay Equity Audits

Presented by Troy Benefits Consulting

Pay equity is the practice of compensating employees the same when they perform the same or similar job duties while accounting for factors such as experience, job performance and tenure. This practice considers all forms of compensation, such as salary, overtime pay, bonuses and other benefits. Employees' right to be free from discrimination in their compensation is protected under several federal laws that employers must comply with, including the Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967 and the Americans with Disabilities Act of 1990.

A pay equity audit is the process of analyzing compensation data of employees doing similar work within an organization. Performing pay equity audits can help employers determine if pay discrepancies are based on legitimate, nondiscriminatory reasons, such as seniority or education. If pay discrepancies cannot be explained by nondiscriminatory reasons, the audit allows employers to correct them.

## Overview

This checklist outlines the steps for conducting pay equity audits. It's intended to be used as a guide, and not all of the following steps may be necessary to perform an audit. Additionally, the steps in this document should be modified to meet any jurisdictional requirements. Employers are encouraged to seek legal counsel to address specific issues and concerns.

Establishing a Pay Equity Audit	Completed
Determine the scope of the audit. This may include: <ul style="list-style-type: none"><li>Defining the audit's scope (e.g., disparities based on protected characteristics, such as gender, race and ethnicity) and objectives (e.g., remedial or causal analysis)</li><li>Identifying specific positions that will be included in the audit</li><li>Deciding whether the audit will cover the entire organization or specific departments</li></ul>	<input type="checkbox"/>
Establish a timeline for completing the audit.	<input type="checkbox"/>
Decide which individuals or departments will be involved in the audit, such as HR, finance and legal. This may include third parties, such as labor economists, statisticians, professional employer organizations and outside legal counsel.	<input type="checkbox"/>
Allocate sufficient resources and time for pay data collection and analysis.	<input type="checkbox"/>
Prepare leadership and senior management for the audit's possible outcomes, including potential compensation changes that may be necessary due to the audit's results.	<input type="checkbox"/>
Obtain leadership and senior management's support for conducting the pay equity audit and taking action to address the audit's potential outcomes.	<input type="checkbox"/>

*This checklist is merely a guideline. It is neither meant to be exhaustive nor meant to be construed as legal advice. It does not address all potential compliance issues with federal, state or local standards. Consult your licensed representative at Troy Benefits Consulting or legal counsel to address possible compliance requirements. © 2023 Zywave, Inc. All rights reserved.*

Conducting a Pay Equity Audit	Completed
Gather job descriptions and qualifications for each job or job category to be analyzed.	<input type="checkbox"/>
Collect comprehensive data for each employee in the job or job category to be analyzed, including: <ul style="list-style-type: none"> <li>• Job title</li> <li>• Hire date</li> <li>• Gender or other demographic information (i.e., race, ethnicity and age)</li> <li>• Work location</li> <li>• Resume</li> <li>• Employment application</li> <li>• Total hours worked</li> <li>• Total compensation data, including salary, overtime pay, bonuses, stock options and other benefits</li> </ul>	<input type="checkbox"/>
Review job descriptions or categories to determine whether the employee’s job titles and descriptions accurately reflect: <ul style="list-style-type: none"> <li>• The job’s duties, experience, skills, education and training required</li> <li>• The job’s responsibilities</li> <li>• The mental or physical exertion required to perform the job</li> <li>• The job’s working conditions</li> </ul>	<input type="checkbox"/>
Analyze pay data by job grouping to determine which employees are performing equal or substantially similar work based on factors such as skill, responsibility, effort and working conditions.	<input type="checkbox"/>
Calculate the average total pay for each job grouping.	<input type="checkbox"/>
Determine whether pay differences exist between men and women (or between other demographic groupings) for each job or job category.	<input type="checkbox"/>
Account for any pay differences between men and women (or between other demographic groupings) for each job or job category.	<input type="checkbox"/>

Analyzing Employee Pay Data	Completed
Identify the causes for pay differences, if any.	<input type="checkbox"/>
Evaluate legitimate and legal reasons for pay differences under federal, state and local laws.	<input type="checkbox"/>

Establish whether there are any legitimate or legal reasons for the pay differences, such as seniority, merit, training or experience.	<input type="checkbox"/>
Consider whether any written policies outline decisions for pay differentials.	<input type="checkbox"/>
Assess whether gender (or other demographic information) is one of the reasons for the pay differences.	<input type="checkbox"/>

Developing a Pay Equity Plan	Completed
Communicate the results of the pay equity audit to the organization’s leadership and senior management.	<input type="checkbox"/>
Review the organization’s compensation policies and practices to ensure they are based on objective criteria.	<input type="checkbox"/>
Evaluate recruitment and hiring practices to ensure they are equitable and transparent.	<input type="checkbox"/>
Examine promotion and advancement practices to identify any potential biases or barriers.	<input type="checkbox"/>
Evaluate any criteria used to determine employee salary, raises, bonuses and other forms of compensation.	<input type="checkbox"/>
Identify any biased, subjective or discretionary criteria that may contribute to pay differences.	<input type="checkbox"/>
Create a plan to address pay differences, including how and when to address the disparities within job groupings or categories.	<input type="checkbox"/>
Prioritize salary adjustments for employees whose pay differences are based on biased or subjective criteria.	<input type="checkbox"/>
Develop strategies for ensuring equitable compensation practices, such as implementing salary bands or ranges to promote pay transparency and consistency.	<input type="checkbox"/>
Monitor and regularly evaluate the organization’s pay equity plan or initiatives.	<input type="checkbox"/>
Consider seeking legal guidance to ensure the organization’s pay equity plan and compensation practices comply with applicable pay equity laws and regulations.	<input type="checkbox"/>

While successful pay equity audits will differ based on the organization and applicable legal requirements, they are ongoing processes. Regularly reviewing and evaluating compensation practices are essential to ensure compliance with pay equity requirements.

Contact Troy Benefits Consulting today for more information about pay equity audits.

# CHECKLIST | Pay Transparency

Presented by Troy Benefits Consulting

Pay transparency is when an employer openly communicates pay-related information to current or prospective employees through established practices. Because of changing labor markets and a desire to be paid fairly, more employees are demanding pay transparency. As this demand increases, some states have passed legislation requiring organizations to be transparent. In recent years, California, Colorado, Connecticut, Maryland, Nevada, Rhode Island and Washington have all passed pay transparency laws. Some cities, including New York City; Jersey City, New Jersey; and Cincinnati, Ohio, have also passed such laws. Employers should be aware that pay transparency laws vary depending on the jurisdiction.

It's becoming increasingly clear that providing pay transparency is not a temporary trend; therefore, employers may be considering implementing policies into their operations. However, employers should consider the applicable rules and regulations related to pay transparency in their jurisdiction. Additionally, hiring remote workers can trigger pay transparency obligations and create potential risks even in states where employers do not have a physical presence. Even if an employer is in a jurisdiction that may not require pay transparency, it may be beneficial to provide pay-related information to attract talent since employees and applicants are more frequently demanding it.

## Overview

This checklist outlines the steps for establishing pay transparency practices. It's intended to be used as a guide, and not all of the following steps may be necessary to create and manage pay transparency practices. Therefore, the steps in this list should be modified to meet any jurisdictional requirements as well as the unique need of your organization. Employers are encouraged to seek legal counsel to address specific issues and concerns.

Ensuring Compliance With Pay Transparency Laws	Completed
Identify all applicable state and local pay transparency laws.	<input type="checkbox"/>
Consider legal obligations and potential risks for any remote workers, if applicable.	<input type="checkbox"/>
Consult with local legal counsel regarding pay transparency requirements and practices, if necessary.	<input type="checkbox"/>
Review current recruiting and compensation practices to ensure they are consistent with all applicable state and local pay transparency requirements.	<input type="checkbox"/>
Ensure the organization's recruiting and compensation practices, including job postings or listings, comply with all applicable state and local pay transparency laws.	<input type="checkbox"/>
Train personnel responsible for overseeing recruiting and compensation practices—such as recruiters, hiring managers and interviewers—on pay transparency requirements, including establishing pay ranges and bands or creating job postings.	<input type="checkbox"/>

*This checklist is merely a guideline. It is neither meant to be exhaustive nor meant to be construed as legal advice. It does not address all potential compliance issues with federal, state or local standards. Consult your licensed representative at Troy Benefits Consulting or legal counsel to address possible compliance requirements. © 2023 Zywave, Inc. All rights reserved.*

Ensuring Compliance With Pay Transparency Laws (Continued)	Completed
Communicate the organization's pay transparency requirements to any agency used to recruit talent, if applicable.	<input type="checkbox"/>
Review pay transparency policies and practices regularly and update them as needed to ensure compliance with all applicable state and local pay transparency laws.	<input type="checkbox"/>

Establishing Pay Transparency Practices	Completed
Review existing pay ranges or bands based on job titles, roles, responsibilities and geography.	<input type="checkbox"/>
Examine any inconsistencies between pay ranges for job postings and existing roles and decide if the discrepancies are warranted.	<input type="checkbox"/>
Consult relevant benchmarking data based on the organization's industry and location.	<input type="checkbox"/>
Develop pay ranges or bands for the organization's roles.	<input type="checkbox"/>
Ensure practices for establishing pay ranges or bands are equitable and based on data.	<input type="checkbox"/>
Amend existing pay ranges or bands to ensure job postings and compensation for current employees are consistent with established pay ranges or bands.	<input type="checkbox"/>
Confirm that pay ranges or bands for current employees are accurate and accessible.	<input type="checkbox"/>
Decide how to provide access to pay ranges or bands to recruiters, hiring managers, interviewers and other key stakeholders.	<input type="checkbox"/>
Educate the organization's leaders, recruiters, hiring managers and interviewers on pay transparency laws, requirements and practices.	<input type="checkbox"/>
Train recruiters, hiring managers and interviewers to facilitate difficult compensation conversations with candidates and employees.	<input type="checkbox"/>
Ensure recruiters, hiring managers, interviewers and other key stakeholders are aware of the organization's policies and practices for establishing pay ranges or bands.	<input type="checkbox"/>
Formalize a process for salary negotiations.	<input type="checkbox"/>
Communicate pay transparency practices and policies to current employees, as appropriate.	<input type="checkbox"/>
Establish pay transparency messaging and strategies for recruiting and hiring talent.	<input type="checkbox"/>
Provide recruiters, hiring managers and interviewers with pay transparency messaging and strategies.	<input type="checkbox"/>



Create pay transparency resources and trainings for recruiters, hiring managers and interviewers addressing topics such as pay ranges, career ladders and interview scripts.	<input type="checkbox"/>
--	--------------------------

Creating Compliant Job Postings	Completed
Follow pay transparency requirements for each job posting.	<input type="checkbox"/>
Make certain expected pay scale information, including minimum and maximum hourly or salary compensation, pay ranges, bonuses and commissions, are provided in each job posting, if required.	<input type="checkbox"/>
Communicate benefits-related information in each job posting, if required.	<input type="checkbox"/>
Ensure pay scale and benefits information is accurate in each job posting.	<input type="checkbox"/>
Create a process for disclosing pay-related information when requested by an applicant, at the time of an employment offer or when an applicant has completed an interview for a position, including promotions, if required.	<input type="checkbox"/>
Review job postings regularly for accuracy and to ensure compliance.	<input type="checkbox"/>
Maintain records of employee job titles and wage history, if required.	<input type="checkbox"/>

Successful pay transparency practices will differ based on the unique needs of an organization and applicable legal requirements. Regularly evaluating pay transparency practices and processes can help organizations ensure compliance with applicable state and local laws and strengthen attraction and retention efforts. It can also help organizations identify any gaps in their processes and adjust to avoid incurring costly fines and penalties or losing key talent.

Contact Troy Benefits Consulting today for more information about pay transparency.

# Pay Equity Audits

The nationwide normalization of pay transparency is leading employers to prioritize pay equity. Despite this increased focus, many employers don't know where to begin when implementing pay equity measures. For most employers, utilizing pay equity audits is the likely answer.

## What Is Pay Equity?

Pay equity is the practice of compensating employees equitably when they perform the same or similar job duties while accounting for factors such as experience, job performance and tenure. This practice takes into account all forms of compensation, such as salary, overtime pay, bonuses, stock options, profit-sharing plans and other benefits.

Employees' right to be protected from discrimination in the scope of their compensation is protected under several federal laws, including:

The Equal Pay Act of 1963

Title VII of the Civil Rights Act of 1964

The Age Discrimination in Employment Act of 1967

The Americans with Disabilities Act of 1990

## Why Is Pay Equity Important?

Ensuring employees are paid equitably can help increase organizational efficiency, productivity and profitability. Employers who prioritize pay equity may experience the following benefits:

Improved workforce productivity and morale

Strengthened organizational commitment

Reduced employee turnover

Increased attraction of key talent

Minimized exposure to discrimination or pay inequity lawsuits

Bolstered compliance with equal pay laws and regulations

## What Is a Pay Equity Audit?

A pay equity audit entails analyzing the compensation data of employees doing similar work within an organization. This type of audit can help an employer determine whether any pay discrepancies are based on legitimate, nondiscriminatory reasons, such as seniority or education. If pay discrepancies cannot be justified by these reasons, the audit will allow the employer to correct them.

The purpose of a pay equity audit goes beyond simply identifying whether pay disparities are happening; it also helps explain why they exist. Such audits can help employers evaluate and improve their compensation practices, address pay gaps and limit potential legal risks.

Overall, pay equity audits can be an effective way to ensure employees are compensated fairly for the work they do.

[Contact us for more information.](#)