

Case Study: Setting the Foundation for Pay Transparency

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2. Embarking on the pay transparency journey
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The pay transparency landscape



How did we get here?



**Proliferation of
Data on Social
Sites**

**Legislative
Action**

**Shifting Societal
and Employee
Expectations**

Sites such as Glassdoor, Indeed and PayScale have made compensation data more accessible than ever to employees

Legislation started in January of 2018 in California and has continued to progress across the country and now globally

Nearly 90% of Gen Z say they are comfortable openly talking about pay at work¹ – and nearly half of candidates say they won't apply for a job without it²

The Business Case for Pay Transparency

90%

Of Gen Z employees are comfortable talking about pay at work and 42% share salary information with coworkers^{1,2}

63%

Of American employees believe they know the current industry benchmark pay rate for the role they want¹

50%

Of candidates said they will only apply to jobs that are transparent about pay from the start²

68%

Of employees would switch employers for greater pay transparency, even if compensation was the same²

Pay transparency goes beyond revealing what each employee earns. It is about an organization building trust and strengthening the relationship with its employees by communicating pay practices that help them understand their salary in the context of market and business realities:



Legal Compliance

Pay transparency of some form is a legal requirement in an increasing number of states



Employee Experience

A culture of transparency drives better workforce outcomes



Pay Equity

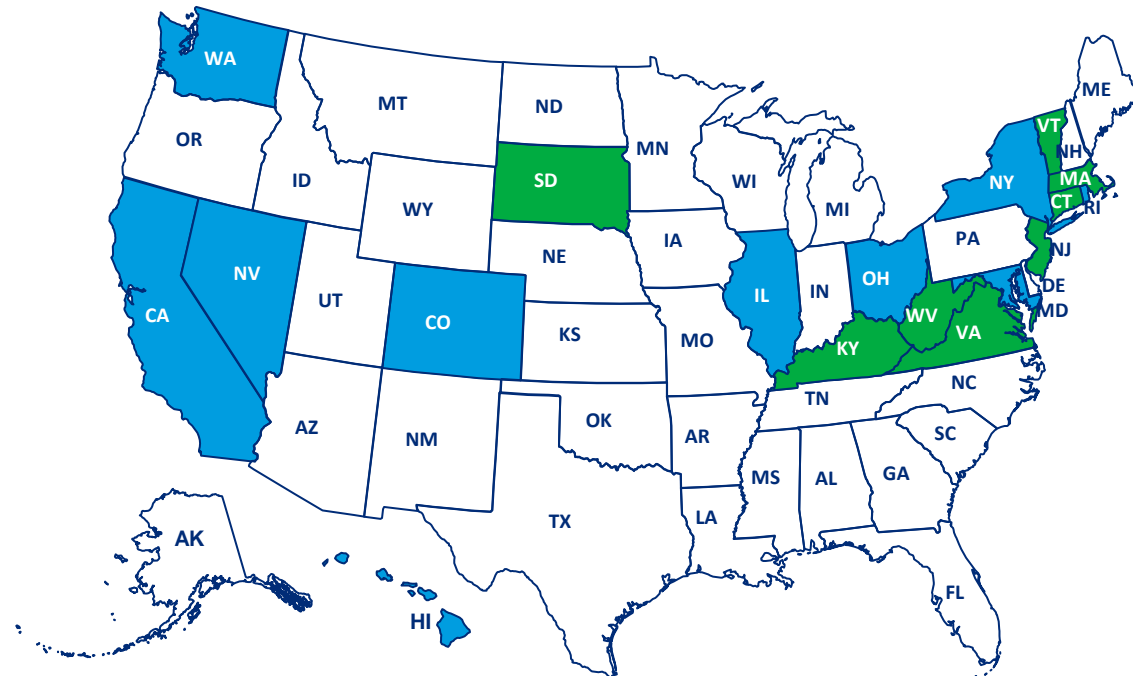
Pay transparency, when coupled with robust analytics, can support pay equity outcomes that are more fair

Legislation and market practices continue to accelerate on pay transparency



Today

An increasing number of states have adopted pay transparency legislation



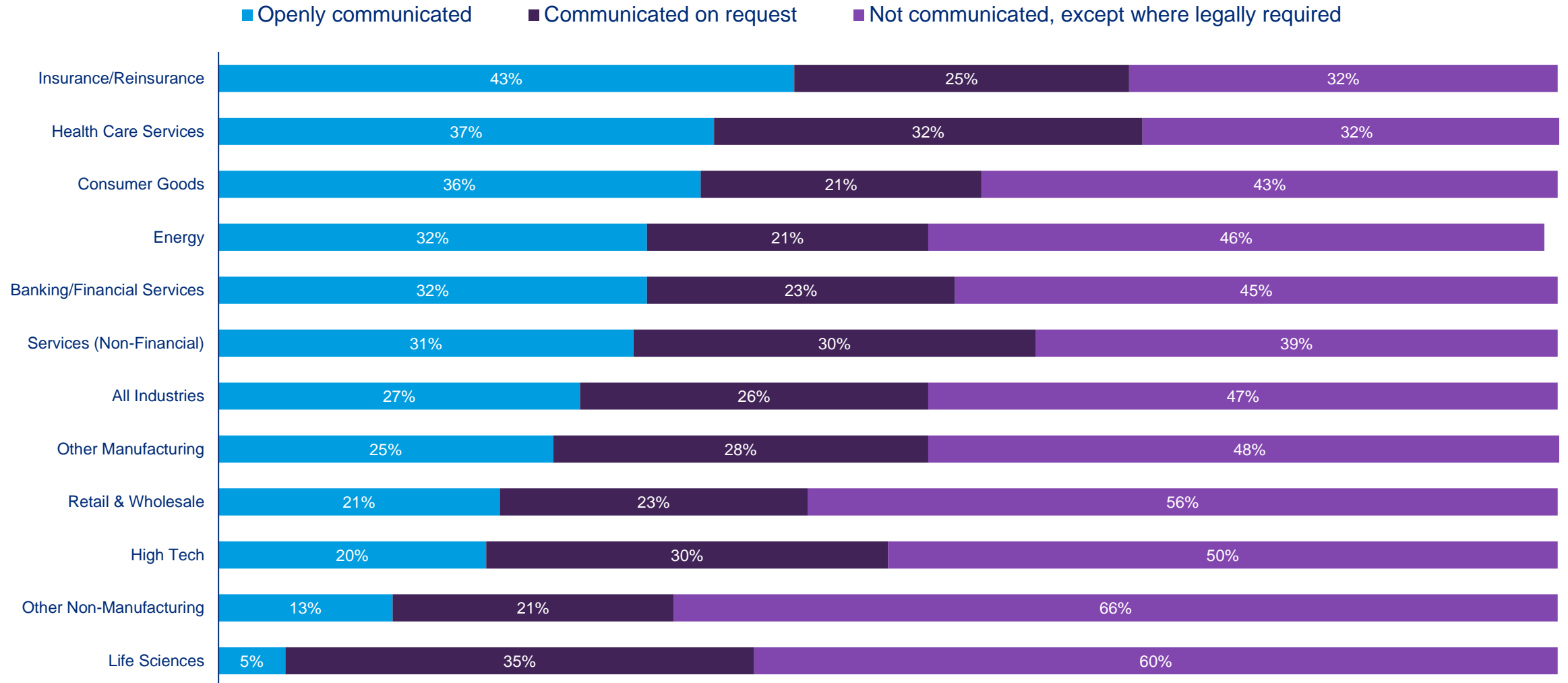
States with pay transparency legislation

Current Legislation

Proposed Legislation

Transparency is occurring across industries

Insurance & Health Care have one of the highest degrees of transparency around pay currently



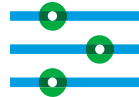
Pay transparency is critical to both attraction and retention

Today, only **3 in 10** employers say they've embedded transparency into their talent philosophy – however, it's critical to perceptions of fair pay

Employees who believe they are paid fairly:



2x more likely to say they understand how their organization determines their compensation



2x more likely to say their manager/employer provides them with their pay range



85% more engaged



62% more committed to their organization

Source: Mercer's 2023-2024 US Inside Employees' Minds Survey of more than 4,000 US employees; preliminary results

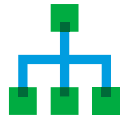
The pay transparency journey

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Assessment of current situation focused on these key areas and questions



How solid are your foundations for your pay transparency journey?



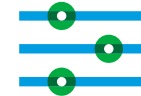
Job Architecture

- Are your jobs well defined?
- Are your jobs organized into a meaningful and logically consistent framework?
- Do your employees and managers know how to navigate their careers?



Pay Strategy

- Do you have a compensation philosophy?
- Are your benchmark jobs and salary ranges up-to-date?
- Do you pay competitively?



Pay Equity

- Does your analysis use robust statistical analysis to identify and remediate disparities?
- Does your organization have any pay inequities by gender or race / ethnicity?
- Are you confident in your ability to defend pay decisions?



Employee Perception

- Do you understand how employees view their current experience?
- What does it mean to work here as an employee?
- How do employees value their jobs?

Desired Outcomes

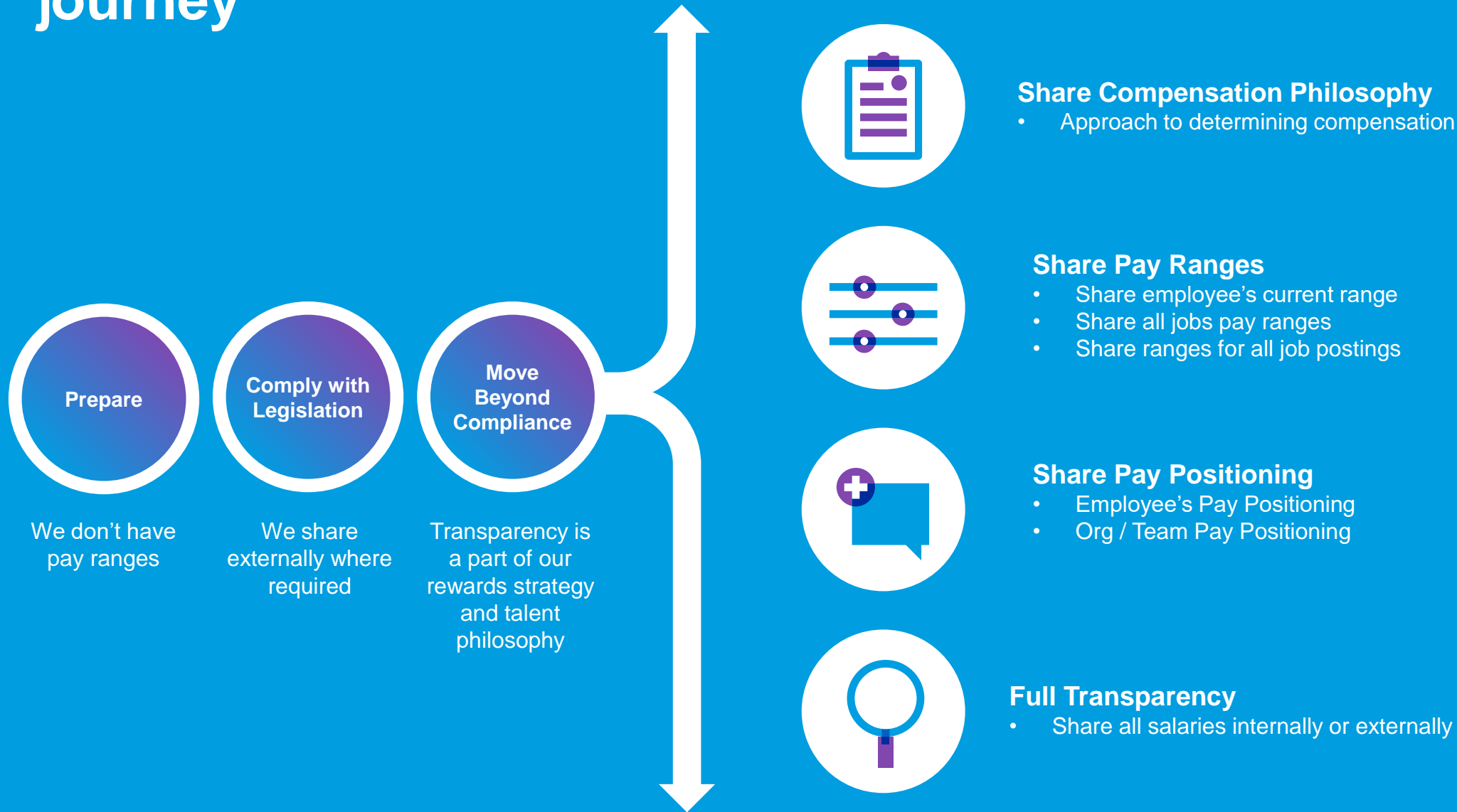
Clear and consistent job type and level definitions to underpin transparency.

External fairness and confidence in current pay strategy.

Continuous identification of risk, and remediation of gaps, to confidently be transparent.

Understanding of impact of rewards on workforce. Integration of transparency in value proposition.

Employers face many choice points in their pay transparency journey



Case Study: Morehouse School of Medicine

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Background & Overview

Several improvement opportunities were identified to enhance the Compensation program foundation in preparation for more transparency with employees and leaders

1

MSM was experiencing difficulties in successfully closing offers and attracting highly qualified talent to the organization

2

The Compensation philosophy and benchmark methodology could be improved to better align with the organization's goals and objectives

3

Comprehensive benchmarking hasn't occurred since the pandemic, making it difficult to predict budget projections and handle compensation requests

4

Broad band salary ranges from 2010 are now ineffective and misunderstood by employees and leaders

5

Career path identification and communication to employees needs improvement

6

Effectively distinguishing and communicating the nuances between jobs and career levels posed a significant challenge

Staff Compensation Philosophy & Strategy

Proposed Go-Forward Staff Compensation Philosophy & Strategy

Our compensation philosophy is to attract, retain, and motivate top talent in an inclusive environment. We achieve this through fair and competitive compensation, growth opportunities, and a comprehensive total rewards approach. Guided by market alignment, we prioritize equity, sustainability, and continuous evaluation for organizational success.



Attraction & Retention

We aim to attract and retain top talent by providing opportunities for professional development, internal growth, and equitable compensation.

Our goal is to ensure that employees feel valued and that their contributions to our mission are duly recognized.



Career Advancement

We are committed to the development and advancement of our employees.

We provide opportunities for continuous learning, skill enhancement, and career growth through training programs, mentorship initiatives, and professional development opportunities.



Competitive Compensation

Our compensation structure is designed to target the market median as grade midpoints, with grade minimums aligning to at least the market 35th percentile.

We regularly conduct market research to ensure our compensation remains competitive with the market.



Total Rewards Approach

We offer a comprehensive range of benefits, including healthcare coverage, retirement plans, paid time off, and other employee perks.

Our goal is to create a positive work environment that promotes a healthy work-life integration.



Market Research & Benchmarking

We regularly conduct market research and benchmarking exercises.

By reviewing industry trends, salary surveys, and comparable institutions/industries we ensure that our compensation packages remain competitive and aligned with the market.



Internal Equity & Fairness

We prioritize internal equity and fairness in compensation practices, ensuring that employees in similar roles are compensated consistently and based on their skills, experiences, and contributions to the overall mission of Morehouse School of Medicine.



Communication

Leaders, supported by the Compensation team, engage in discussions about compensation-related matters with managers, who discuss with their direct reports, ensuring clarity and understanding.

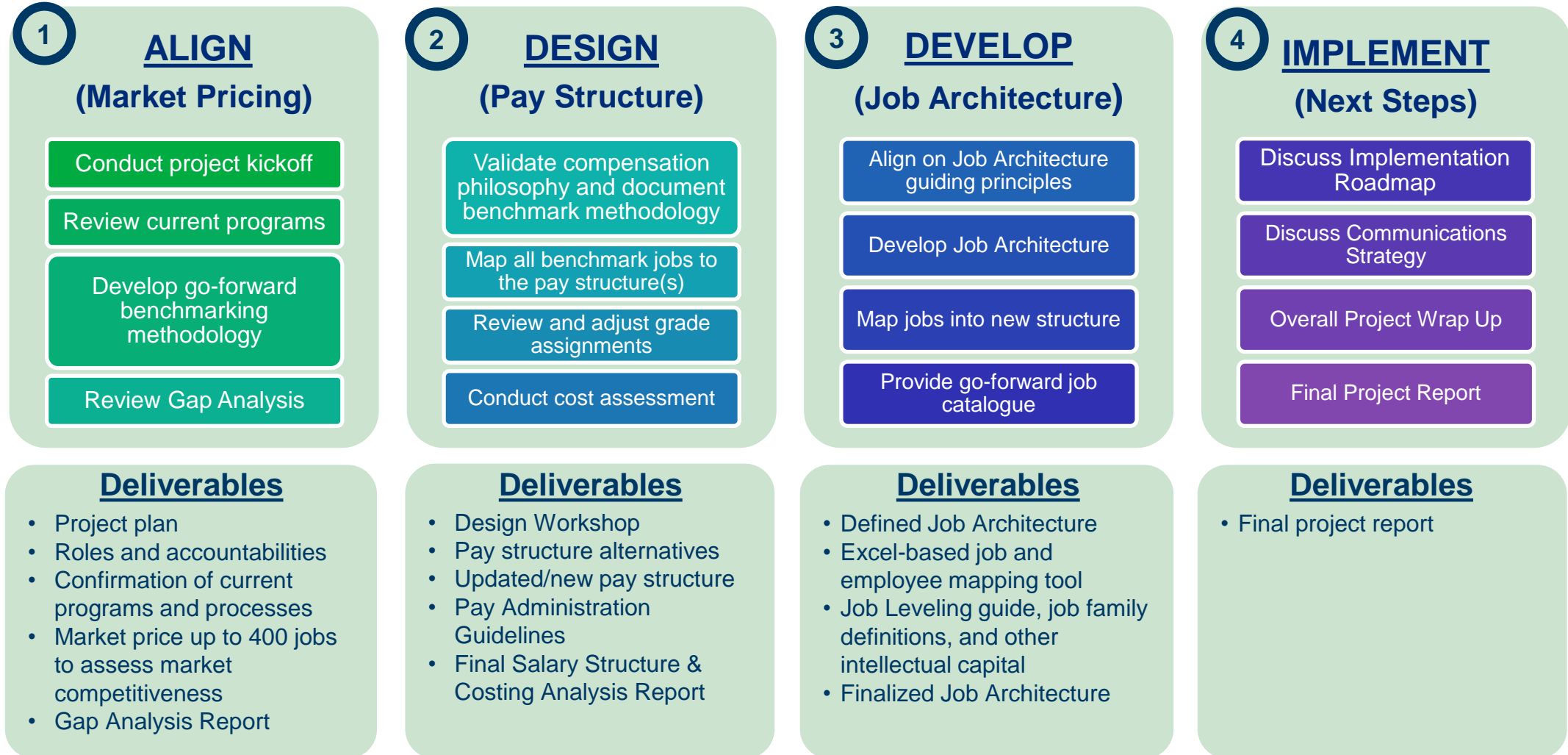


Evaluation & Review

We conduct a comprehensive review of our compensation practices annually for evaluation of effectiveness.

This review process allows us to maintain a compensation program that remains competitive, fair, and aligned with our organizational goals.

Project Approach



Wrap-up & Questions

4

Journey checklist

Question

Foundation

1. We have salary structures in place that cover the majority of jobs
2. We review these salary structures regularly to ensure they meet our objectives
3. We have a way of organizing our jobs into career levels (job architecture, separate from salary grades)
4. We have a philosophy for how we pay people at our organization (internal to HR, not necessarily publicly shared)
5. We conduct annual pay equity reviews to ensure we proactively manage pay risk

Process and education

6. By and large, we pay people within the pay ranges with limited, rational exceptions
7. We've recently reviewed our processes to ensure that factors counter-productive to pay transparency and pay equity have been removed, e.g., promotional increase caps
8. Managers have a basic understanding of our pay ranges
9. Managers have a basic understanding of how employee pay is managed through the ranges
10. Craft your narrative for internal / external audiences

Tools

10. We have digital tools to communicate simple pay information to our employees
11. We have digital tools that let employees simulate what their earnings would look like over time
12. We use technologies to assist the pricing of jobs and development of pay structures

Questions?

