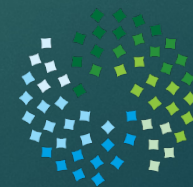


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Getting Ahead of Minnesota Pay Transparency

A SYNERGY HUMAN RESOURCES INFO BRIEF



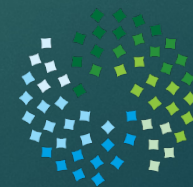
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Your Presenter



MIKE BOURGON
SYNERGY HR

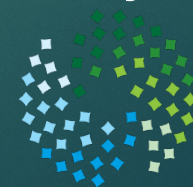
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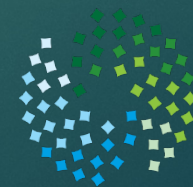
Pay Transparency Trends

Effective Jan. 1, 2024, Minnesota joined nearly half of all U.S. states in prohibiting employers from asking job candidates their current or past salary information in interviews and job applications. Thankfully, complying with this new law won't be very demanding for most employers. Essentially, all they need to do is eliminate salary history inquiries from applications and instruct interviewers not to ask such questions. If salary history questions are important in your screening process, asking candidates "Do you have any salary expectations for this role?" is a better, compliant way to ensure alignment with your open positions pay scale.



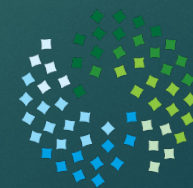
Pay Transparency Trends

That said, while Minnesota's recent legislation has relatively low administrative impact for many employers, it is worth noting that numerous state and local governments across the U.S. have passed additional legislation pertaining to pay transparency, reflecting a growing shift in societal expectations and norms. These legislative updates commonly include provisions for pay disclosures in job postings and prohibitions on salary history inquiries.



Pay Transparency Trends

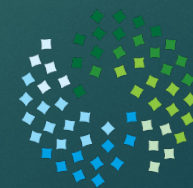
Additionally, many job posting boards are now taking pay transparency matters into their own hands. For example, Indeed.com, one of the most used job search engines in the country, will now auto-generate estimated salary range information for job positions if employers do not provide it themselves. It appears that these estimates are fairly accurate for many positions, but it's important that employers are aware that job seekers have this information available and in mind as they apply, even if the employer didn't elect to provide it.



Pay Transparency Trends

As pay transparency trends continue to gain traction, employers in Minnesota have an opportunity to begin thinking strategically about pay transparency as it relates to their overall compensation philosophy. In many organizations, pay transparency can be a daunting topic to tackle.

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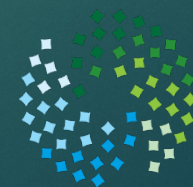


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Pay Transparency Trends

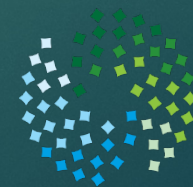
How can you prepare your managers to thoughtfully explain differences in pay for employees in the same job? Are you confident in your ability to explain differences in pay ranges based on department, position, and/or performance? How will staff respond if they learn they're approaching the max of their salary range and may not be eligible for more than nominal salary increases going forward?

These are all intimidating questions for most employers.



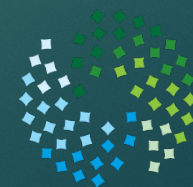
The Pay Transparency Spectrum

If you consider pay transparency on a spectrum, employers have an opportunity to consider and decide just how transparent they wish to be. Important considerations include the need to remain compliant with any state or local legislation as well as the need for the overall compensation philosophy to align with and motivate behaviors that drive toward the organization's strategic goals. Each employer's pay transparency "sweet spot" within that spectrum is different.



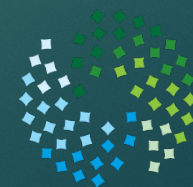
The Pay Transparency Spectrum

One common strategy that many private sector employers have historically leveraged has been to maintain policies and practices that simply restrict all visibility into compensation within the larger organization. In this approach, employees may only know what their pay is today and possibly what type of earning potential they have in their current role. With limited transparency, employers may feel more comfortable with tying employee pay to performance ratings.



The Pay Transparency Spectrum

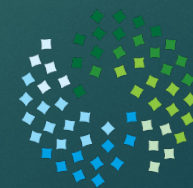
Employees in the public sector are privy to comprehensive details about the organization's salary scales, frequency and quantity of pay increments, as well as the timeline to attain the highest pay grade. This information also includes the pay ranges of their managers and peers, and in some cases, how their pay compares to the broader public sector salary market. This level of transparency tends to be more in line with pay for longevity models where each year all employees are eligible for the same pay increase.



The Pay Transparency Spectrum

Employers should weigh the pros and cons of full transparency, like the public sector, against the risks of providing no pay transparency in this new era of employee expectations around pay to find their pay transparency sweet spot.

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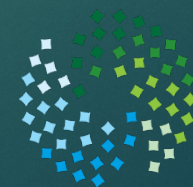


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Legislation Calls for Minnesota's Larger Employers to Include Salary Ranges in Job Postings

While employed by a local technology company, Rep. Kristin Bahner (DFL-Maple Grove) discovered her salary was about \$20,000 a year less than a male co-worker who had less responsibility.

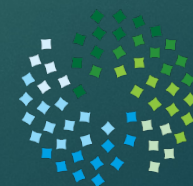
“My story is one example,” she told the House Labor and Industry Finance and Policy Committee. “But it is not uncommon to find that these stories are widespread, that they are commonplace.”



Legislation Calls for Minnesota's Larger Employers to Include Salary Ranges in Job Postings

Rep. Bahner sponsors HF3587 to help shrink the wage gap between working women, minorities and men in Minnesota. It would require employers with more than 30 employees to disclose salary ranges, benefits and compensation in job postings.

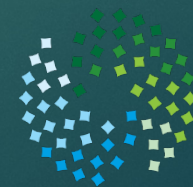
It was laid over by the committee for possible inclusion in a future bill.



Legislation Calls for Minnesota's Larger Employers to Include Salary Ranges in Job Postings

“Pay transparency promotes pay equity,” said Jill Hasday, a law professor at the University of Minnesota. “Pay secrecy makes it easier for employers to get away with paying different salaries for the same work.”

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Legislation Calls for Minnesota's Larger Employers to Include Salary Ranges in Job Postings

Since 2020, the Minnesota Council of Nonprofits and two other nonprofits with “prominent” job boards have required a salary range on each posting.

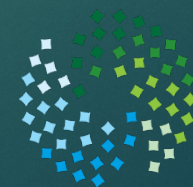
“To date, we have received little negative feedback regarding our job board pay requirement and it is now the norm in the Minnesota nonprofit industry, which makes up 14% of Minnesota’s total workforce,” wrote Public Policy Director Marie Ellis and Public Policy Manager Bailey Sutter.



Legislation Calls for Minnesota's Larger Employers to Include Salary Ranges in Job Postings

There have been a lot of studies to figure out how to solve the pay gap problem, but two solutions rise to the top. The first is prohibiting previous salary information, which was passed last year. And the second is pay transparency — specifically pay ranges and disclosure of benefits.

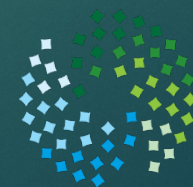
Minnesota's Equal Pay for Equal Work Law is already on the books and prohibits employers from paying women less than men.



Legislation Calls for Minnesota's Larger Employers to Include Salary Ranges in Job Postings

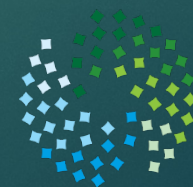
Pay transparency can benefit both employees and employers by increasing productivity, giving employees better negotiating power, higher job satisfaction and employee retention.

It is true that pay transparency produces 70% more applicants, 66% more qualified candidates ... while reducing the time spent on recruiting and hiring.



Market Data

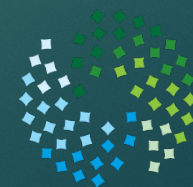
Job seekers have more access to market data than ever, and they are coming into interviews better equipped. Their information is likely coming from crowdsourced data provided by one of many free resources online. As an employer, you can prepare for informed employees and candidates by researching what data is out there for your open positions that job seekers may find. Look at what Indeed.com posts as an estimated salary range on open positions or create a free account with Payscale.com and see what insights you can pick up on. Compare these findings to your existing internal pay ranges to, at a minimum, help you understand job seeker pay expectations.



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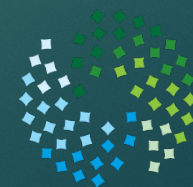
Market Data

Employers can also, typically for a fee, seek out more specific data that is tailored to their organization size, industry, and/or location. With reliable market data, you will have confidence to set, update, and/or defend internal pay ranges to both job seekers and internal staff. This also allows for regular budgeting and compensation forecasting.



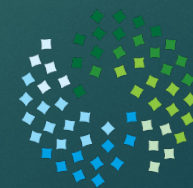
Manager Training

Manager training is also a critical component to successful and effective pay transparency policies. Managers should be trained in what they can and cannot share with staff or candidates. If given the freedom to discuss pay with staff, they should have access to up-to-date information and a clear understanding of how pay increases are awarded. In many cases, employees are more likely to ask their manager about pay than going straight to HR, so make sure your managers are ready to appropriately handle the hard questions.



Manager Training

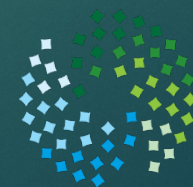
As a side note, managers should be trained to not only fairly and consistently award pay increases in accordance with your policies (whether it be pay for performance or longevity-based awards), but they should also be equipped to explain to employees why they received the increase that they did. The more transparency there is around pay in the company, the more important and relevant these honest conversations will be.



Policy and Procedure

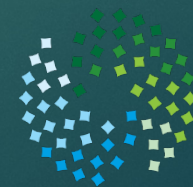
Inadequate policies and procedures related to compensation program administration are another barrier to effective pay transparency.

To evaluate pay transparency in your organization, your policies should address important questions like:



Policy and Procedure

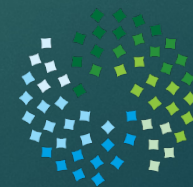
- What happens when an employee reaches the top of the pay range?
- How often are employees receiving pay increases?
- How is compensation linked to performance, and is this standard applied consistently?
- How often will the organization review market data?



Policy and Procedure

- How much will the organization allow employees to see? Just their pay range? Other positions in the same range? Pay ranges for their next promotional opportunity? All pay ranges?

Answering these questions with your leadership team will help shape and refine your compensation philosophy as it relates to pay transparency.





Questions?

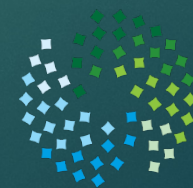
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