Pay transparency laws are here. What's with the broad salary ranges?

By ***Kathryn Mayer*** *November 14, 2022*

Pay transparency laws are taking effect throughout the country—from New York City to Colorado and, starting Jan. 1, California.

And while many have called these policies a positive step for employees—who have largely demanded the practice, some employers have responded to the new laws by posting largely broad salaries.

$50,000-$200,000? $100,000-$300,000? $0-$2 million. Check, check, check.

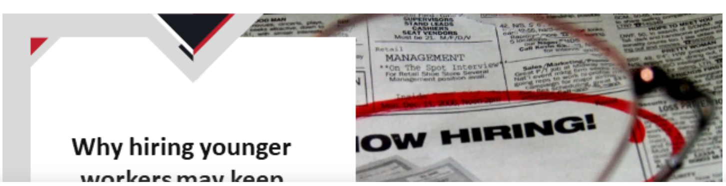
It's an interesting turn in the call for pay transparency from employers.

"[Most of the employers I'm talking to] say they really are doing their best to make a good faith effort to operate within not just the letter of the law, but the spirit of the law," explains Tony Guadagni, senior principal in the Gartner HR practice. Still, he notes, "we're also seeing a lot of ranges that are wider than what you might typically see for the construction of a salary range."

There are good and bad aspects to posting broad ranges, analysts say.

In general, posting extremely broad salary ranges not only will likely catch the attention of a city or state that may penalize an employer for posting an unrealistic range, but it also is likely a deterrent to potential candidates.

"People want to work at organizations where they feel like pay is fair; where they feel like there is pay equity. If you enter a job as a candidate, where you think there is a 100% difference between the low end and the high end of the salary band, that doesn't feel like there's a lot of honesty and a lot of transparency," Guadagni says. "That doesn't lend itself to a feeling of trust about the organization's pay practices. I can't see that having positive outcomes."



Tanya Jansen, co-founder of beqom, an HCM and performance management software firm, agrees.

Having broad ranges "gives prospective candidates very little information about the reality of the salary of the role," she says. "A candidate could apply to a role with a salary range of $50,000-$150,000, for example, expecting the higher end of the range, but when receiving their offer, they may be surprised that they really get the lower end, and decline the offer."

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That wastes time for both the candidate and the employer, she explains, and the employer "could have put more energy into a candidate whose salary expectations were better aligned.

"From an external perspective, providing accurate salary ranges makes an employer look more transparent and ultimately trustworthy," Jansen adds. "The wide, inaccurate ranges actually do more harm than good."

On the flip side, some say that broad salary ranges could work in employers' favor. But that's only if the salary ranges are an honest estimate and not a huge discrepancy (think $100,000). Ranges could appeal to more candidates and attract a wider array of potential hires with different skills. That's especially important to organizations in a competitive job market like we're in now.

"I think that organizations would rather have a broader range than find themselves under-bidding," Guadagni says.

What's going on?

So, why are the big salary ranges happening in general? Probably for a few reasons.

For one, employers may be hesitant to reveal realistic salary ranges because they haven't yet initiated conversations about their organization's pay practices with their employees. "If they reveal pay ranges without additional context about how those benchmarks were set, it will likely cause confusion and frustration among staff members," exist within their workplace, but they don't want that information to be made public as it can negatively impact their reputation."

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Guadagni says that some of the more ridiculous ranges—like one posting that listed the salary as $0-$2 million—could simply be mistakes. "The way that these salary ranges can be put into job postings, it's an automated process. They're pulling data from different systems, and errors are going to happen," he explains. "They go from doing this in theory to doing this in practice and doing it in real-time."

Moving forward, things will likely get sorted out as employers find their footing in response to the law. For instance, the city of New York—whose pay transparency law went into effect Nov. 1— will surely issue warnings and violations to employers that do not post salary ranges in "good faith."

"One of the questions that is out there and remains open at the moment is how 'good faith' is going to be defined," Guadagni says. "Any time legislation is passed like this, there is some gray area, and there are probably people and organizations trying to operate within that gray area."

(Under the New York City law, for instance, all covered employers must list "good faith" salary ranges for any job postings. Businesses found to have violated the law will initially have 30 days to address the violation. If an employer does not address a violation, they may have to pay up to $250,000.)

Organizations and HR leaders often approach salary strategies by figuring out what their midpoint on the salary should be, comparing that to a market. "Then you might go 20% above that, and 20% below that midpoint, as a starting point for creating that salary range."

Employers would be wise to think carefully about what salary range they're posting, industry experts agree, saying it's a way to put their best foot forward for potential employees for your organization.

"This is a way to really demonstrate that you're trustworthy," Guadagni says. "This is forcing organizations to put out one of the things that really builds trust, and that's transparency around pay. If done right, it could be a really positive thing, a boon for organizations."

Learn more about pay transparency and pay equity during a keynote address from industry analyst Josh Bersin at HRE's *upcoming* *Health & Benefits Leadership Conference**, taking place in Las Vegas from May 3-5. Learn more and register* *here*.

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