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PAY EQUITY

Pay-Transparency Laws Change the Game for Equity — and Nonprofit Executive Searches

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As a growing number of states adopt laws that require employers to disclose compensation for open positions, nonprofits and foundations nationwide are taking steps to ensure they pay staff fairly.

This trend reflects a yearning for more transparency, which is warranted in the social sector and beyond. This is especially true for entry- and midlevel roles, where salaries in philanthropy have traditionally fallen short of those for similar positions in other industries and where the process for setting pay ranges is largely straightforward.

The compensation calculus and hiring process are more nuanced for executive-level positions. That means foundations and nonprofits that are committed to pay transparency — whether as part of their equity commitments or because their state requires it of them — must be prepared to answer some difficult questions when launching an executive search.

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Changing Expectations — and Laws

Many foundations and nonprofits have set policies in recent years to publicize salaries for all advertised positions. These efforts are built on the idea that when organizations don't disclose compensation, they are perpetuating historical pay gaps that often penalize women and people from underrepresented groups.

By putting salaries in the open, organizations can pay candidates equitably — and push other employers to do the same.

State and local governments increasingly are using the same rationale to pass pay-transparency laws — including new state legislation that took effect earlier this year in California, Rhode Island, and Washington. And by some counts, at least 15 more states are considering similar measures.

Washington State's rule, for example, requires employers with 15 or more workers to provide a salary range and a description of all benefits and other compensation in job postings.

These new laws are welcome news for many job hunters — 67 percent of employees and job seekers say pay is a top factor when considering whether to apply for a position, a recent Glassdoor study finds.

What to Consider Before Launching an Executive Search

Because the rules are changing quickly, foundation and nonprofit board members who are serving on search committees for new leaders must make sure they are aware of the laws in their states and localities before starting a new search.

And if they are conducting searches in one of the seven states that have passed pay-transparency laws since 2020, it's important to discuss questions about pay ranges before making the search public.

That's because the salary range you advertise for a position will influence who applies and whether you end up with a strong list of potential candidates. With that in mind, it's essential to benchmark consistently and have meaningful conversations internally to nail down the most accurate range before sharing a listing.

This upfront work is key. Once you make a posting public, it's all but impossible to adjust it. And if you make changes, that can be a red flag to potential candidates. It's important to know that once you publish a search online — no matter where you do so — many job sites such as Glassdoor and LinkedIn pick it up and push it out to the world. And if you revise your original post, the changes will not get updated across the wide array of platforms. It's like a regretful social-media post that lives on forever.

Here are three other important questions to consider as you develop salary ranges for leadership roles at your organization.

What is fair compensation? To answer this question, start by reviewing current ranges for comparable roles at peer organizations, keeping in mind that the data may not reflect current market conditions. Even a few months can make a big difference given the intense volatility in the job market over the previous 12 to 18 months. You should also consider the cost of living in candidates' geographic areas as well as local and general industry standards for pay.

Going through this exercise will give you a solid baseline to work from. If you are in a fast-changing job market, it's worth seeking advice from an experienced compensation consultant.

How wide a range should be set? Some job postings these days provide ridiculously wide pay ranges. This likely happens when organizations are required by law to include a range but still want to leave their options as open as possible. But if you want candidates to take you seriously, it's wise to include a realistic range for any given position.

We recommend striking a balance. Starting off with an extremely wide range of possible compensation offers little guidance and is likely to ensure disappointment for all but the most impressive candidates. Conversely, an overly narrow range can be limiting by sending the message to exceptional candidates that there's not much room for negotiation.

There's not necessarily a right answer for how wide your range should be, but make sure to take these factors into account.

What are you willing to pay? Before posting an announcement and listing the salary range, it's important to spend time internally determining what your organization is truly willing to pay — and what you want to list publicly.

Let's say your preferred salary range is \$200,000 to a maximum of \$300,000, knowing that a candidate at the top of that scale would be an outlier and you'd like to pay your ideal candidate \$275,000.

In that scenario, listing a range of \$240,000 to \$290,000 leaves some wiggle room if you need to increase your offer for that stellar candidate. This also provides an accurate representation of market expectations related to salary and geography.

This strategy can deliver a win-win — demonstrating to standout candidates how much you value them, while also preventing awkward conversations with other applicants who are more likely to receive an offer within your advertised range.

It's valuable to address these questions about pay ranges even if you are not required or planning to share this information in job posts. Creating a process and consistency for determining the rate you will offer and the maximum you are willing to pay helps avoid a last-minute scramble and uncertainty when trying to ink a deal with your top candidate.

Take the time to do this homework before posting your next job opening. As a result, you'll have a smoother hiring process and ensure you find the best person for the job at a compensation rate you both are happy with.

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EXECUTIVE LEADERSHIP

DIVERSITY, EQUITY, AND INCLUSION