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Fair Pay Resources for Small Businesses

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INTRODUCTION

Guidance on when and how to think about workplace equity and the role fair pay plays

Now is the time to embed fair pay principles into hiring and compensation decision-making. Even with a small team, it's wise to ask the question, Am I paying people doing similar work based on skill, effort, responsibility, and working conditions, the same?

Asking this question will ensure you are thinking about grouping people doing similar work, together, as it relates to how they are compensated.

Thinking of your team as many “special snowflakes” can lead to pay inequities. For example, though two employees may have different jobs, say a communications manager and a marketing manager, the skills required to do both jobs are likely almost identical, thus they should be paid similarly.

Pay equity, however, is not about paying every employee, to the penny, the same. There are legitimate reasons employees are paid different.

The next question to ask yourself is: what are those natural job-related factors that warrant a difference in pay between employees? For example, is an

advanced degree important? Or perhaps years of experience in a specific field is important.

Whatever those job-related factors are, capture them in writing so they guide your decisions over time. Clarity around those factors will provide great clarity and transparency to candidates and to employees alike.

Learn from other leaders who have been in your position

Teamwork makes the dream work. Actively seek out people and resources that can support you as you grow your business and strive to embed equity across the organization.

This Resource Center Includes:

1. Key milestones in your business to inform pay principles and practices.
2. Career reflections from entrepreneurs and leaders: insights they wish they had known at your stage about fair pay.
3. Reflection exercises to help you think about your pay strategy and principals.



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WHY THIS MATTERS

From Fair Pay Workplace

Dear Women Business Owners:

I find so much inspiration from individuals and companies leading the way in workplace equity with demonstrable actions vs. verbal declarations. And from entrepreneurs and small business owners like you – truly contributing to the joy, culture and energy of a community, and society.

As the inaugural CEO for Fair Pay Workplace, a nonprofit with a mission to dismantle unlawful pay inequities in the workplace because of gender, race and their intersection, I have had the great honor of partnering with incredible people from progressive companies to assess all the causes and conditions that make fair pay a reality. In less than a year, our partner organizations have collectively put over \$35MM back into the hands of underpaid women and people of color because of this commitment to finding and fixing inequities. And we are just getting started.

Pay equity plays an important role in the general “health” of an organization. And it changes lives. It is grounded in dignity. Ensuring equal pay for equal work is one of the clearest ways to elevate

livelihoods – not just for employees who receive a pay adjustment, but for their family members and generations to follow as well.

Made possible thanks to the generous support of the Wells Fargo Foundation, this toolkit and case studies are learnings from our startup year and are written precisely for innovative entrepreneurs and small business owners like you. Your passion, products and services, and commitment to your communities is changing the fabric of society for good. We hope you find inspiration and insights to motivate how you think about fair pay as you grow your business and team, making an indelible imprint on society with your compassionate actions.

We’re here to support you in any way helpful. Do reach out anytime.

With admiration,

Heidi Durham
CEO
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TIPS FOR GETTING STARTED

Let's begin by defining some common terms you may have heard, and how they all relate.

Both pay gap and pay equity are important, but they are not synonymous.

Pay gap is an important metric that captures the average pay of two different groups of people—for example, the average pay of all working women compared to the average pay of all working men. It is not capturing the concept of equal pay for equal work, which is pay equity.

The pay gap exists for two historical reasons: First, women are more likely to be found in lower paying jobs than men, often referred to as “pink collar jobs”—roles in education, administration, and social work. Second, women are less represented in top leadership roles and top paying positions.

Pay equity is paying one group of people (say, women) the same as you pay another group (say, men) who do the same job. In other words, equal pay for equal work.

Both pay gap and pay equity are important, but they are not synonymous.

Pay philosophy is what you're trying to achieve with your compensation plan. This is an outward facing, written declaration of how you view compensation so employees understand where the company stands – what matters, why and how what matters will be rewarded.

Pay strategy defines how you intend to enact your pay philosophy to ensure you achieve the vision and goals within your philosophy. Often included are details around how you define your talent market (who you compete with when hiring employees) and how competitive you plan to pay compared to the market. Do you want to be known as the highest paying small business, or is it more important that your compensation plan be viewed as the most holistic.



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ORGANIZATIONAL PAY EQUITY CHECKLIST

Things to consider to ensure pay equity across your organization.



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Startups and Small Businesses

(Less than 25 employees)

How you reward yourself and your team is a critical early decision. It's a way to build trust, transparency, and a strong culture. Pay strikes at the core of human dignity, it represents how you value the individual and their work.

3 most important things to consider about pay

1. **Budget** – What can you afford?
2. **Your goals** – What role does each individual play in achieving your goals?
3. **Motivation** – What motivates your people to accomplish set goals?

3 core elements of employee compensation to consider as you build your business and team

1. **Base salary** represents pay for a specific job and what is considered competitive in the local market. What you're doing, though, isn't typical: You likely have roles that are a mash-up of different jobs, so what's competitive is harder to determine. If this is the case, do your research so you have a reference point for competitive salaries then, using a combination of your funding and your expectations for the role, to determine a salary.
2. **Cash incentives** can be motivating and drive short-term goal accomplishment. They may be a percentage of salary, or you could use a fixed amount. Cash incentives require clear cut metrics and a self-funded plan. Going through the exercise of thinking about cash incentives and how they might be used to enable you to scale is a good place to start.
3. **Long-term incentives** are a great vehicle to reward your team right now. They drive a sense of ownership, engagement, and focus. Work with your advisors to determine the long-term incentive levels. Keeping this team intact is paramount, and long-term incentives help your team see themselves as part owners and leaders in growth.

You investing the upfront time to think through and codify your pay philosophy will empower you to scale your business free of bias and full of transparency for the long game.

Small Businesses that are Scaling Up

(Greater than 25 employees)

With a team and culture established, you can hit pause and consider taking stock in where you are right now – what's working and what needs to evolve in how you're compensating your employees?

3 most important things to consider around pay

1. **Don't go at it alone.** Expand your network of trusted advisors to help you map out this next phase of growth goals and the people you will need to ensure goal achievement. Write down questions you have about the goals for your business and the types of roles and skills you'll need to scale, then reach out to those who can best advise.
2. **Take the theory and practice approach.** Researching different companies and their strategies around workplace equity and people development is invaluable. There's a lot of data to support where companies have succeeded and failed, and strategies that are gaining traction. We recommend taking what you learn from your research, synthesizing applicable insights and then vetting those insights with others who have been in your shoes.
3. **Compensation design requires expertise.** It's time to engage an expert to help you map out your compensation design. It's also time to hire someone to lead your HR function. We dig local SHRM chapters (shrm.org) to help identify an expert. A full time HR leader on your team will keep you compliant with employment laws and regulations, and help you build your people strategy.



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Reflection Questions

1. Do you have good support as you build your company?

Support for you as a business owner is critical so you can have candid conversations around pay, industry benchmarks, recruiting, and your own salary. We recommend building a team of advisors that you trust from a variety of different backgrounds and expertise.

2. What is your hiring plan? Create your talent roadmap. Lay out a plan for each role and what you expect individuals to achieve. Do the same for yourself as the business owner. Look for patterns that emerge related to the varied expectations and responsibilities associated with different levels. A thoughtful talent map sets a framework to base reward differentiation.

3. Do you have trusted advisors to solicit outside perspectives on your plan? Advisors are important, and remember – it's your company and your vision, so if you don't receive consensus around your goals and plan, that's ok. The goals of these advisors are insight and inquiry for you to leverage.

Reflection Questions

- 1. What are your most important business milestones for next year?** Who are the key players you have now, or need to hire, to ensure goal achievement?
- 2. What is your plan to develop and retain the people that have been with you from the beginning?** How can you expand the role or scope of responsibility to play to their superpowers?
- 3. How can you collaborate with your team to map out or vet your talent plan in a way that garners insight for you and creates transparency and ownership for them?**

Here's important advice. While talking about pay was considered "impolite" in the past, those days are over. The more transparent you can be about what people are paid and why, the more clear your values will be alive and well within the organization.



REFLECTION STORIES

We asked some of the brightest entrepreneurs for their insights, guidance, and learnings about fair pay over the course of their career – things they have learned to set entrepreneurs up for success.

Here are their stories.



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Embrace the Journey

Author: Compensation leader from the healthcare industry, also a small business owner.

So many terms, so much desire to get it right. Pay philosophy. Pay strategy. Pay policies. Pay transparency. Pay equity.

I had no idea what these terms meant or how they did or didn't work together when I started my career in compensation. And I didn't have much guidance from people around me. I landed in an HR role at a large healthcare organization at a very young age with little experience. It was my energy, passion, curiosity, and can-do attitude that inspired that hiring manager to take a chance on me. I was lucky. And I learned a ton from observing what mattered to people, how they interacted, what brought joy and what caused distress. I spent a decade at this company and grew light years professionally.

It all started with my fascination with compensation and, since college, its role in creating economic justice and workplace equity. It just seemed logical that if a company really cared about their people, there was no better way to show it than to pay them fairly because a person's economic stability impacts all elements of their lives. I knew this from

my lived experience of growing up in a financially insecure family during my childhood, to suddenly having money to save and plan for the future. Personally feeling those different ends of the financial stability spectrum fueled my desire to work in compensation and, one day, influence how companies thought of compensation and livelihood, and their connection to mental health, stress, happiness, and the ability to dream.

What I learned will hopefully support you in your journey as an entrepreneur, building a business and culture where people are happy and your vision for the company manifests. First, pay is just one piece of the workplace equity pie. An important piece, and still just a piece. It's the piece I know the most and feel is at the core of human dignity and equity, so that is where I am going to focus. I am going to define terms you may or may not have heard, explain how they all relate, and how and when you should be thinking about them as you grow your business from 1-2 employees to 10 to however big your ambition.

Let's start with pay philosophy. **Pay philosophy** answers the "why" behind how employees are paid. It is an overall vision for how your company views compensation and what you are trying to achieve with your compensation plan. This philosophy should be connected to your company's core values.



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Embrace the Journey

If you haven't done that work, start there first. Values are the heart of what your company stands for and the north star that unites everyone toward achieving a common goal. Like organizational values, pay philosophy is important to be something that is in writing and is transparent – meaning accessible to employees.

There are several reasons why you should make transparency a focus from the beginning. It demonstrates your commitment to taking care of your people and supporting their livelihood. It provides a level of trust and appreciation that inspires them to stay with you through all the wins and losses. Transparency is also a job candidate magnet, especially at this time of the great resignation. Feeling underpaid is one of the top reasons employees leave companies.

Pay strategy articulates how you intend to live your pay philosophy, in other words, how specifically you're going to achieve the goals set forth. Often included are details about the industry you're competing in albeit tech, retail, restaurant and so on. Strategy is typically reserved for the leadership team when companies get big because there are often details around jobs commanding a premium and how the company is going to pay for top talent, how you want to compete with others

in the industry, etc. However, if your company or business is small and you wish to be more transparent with your team on strategy, you should trust your gut and do it.

Pay policies, also referred to less formally as pay guidelines at smaller companies, get into the tactics of how you're going to execute on your pay strategy. Your policies include details like when employees can expect raises, if and how bonuses are awarded, how inequities are handled if discovered, and so on. The point of the policies is to ensure everything articulated in your pay philosophy and strategy is carried out fairly. This is also something, like your pay philosophy, should be in writing and available to all employees.

Pay transparency is the level of information shared with employees about the company's pay philosophy and pay policies. In 2021, transparency at all levels of business is almost required for employers who want to attract talent. Especially when it comes to pay. Employees are more informed and engaged than ever before about issues in society, and equity is at the heart.

Greater transparency with how you pay your people leads to greater trust, satisfaction and commitment to the company. It greatly affects



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Embrace the Journey

retention. Transparency is important, but not everything needs to be shared. Be discerning on what matters most to your employees at the stage of growth you're at. Keep it simple, keep it relevant and be consistent with what you share and how you share it.

Keep it simple, keep it relevant and be consistent with what you share and how you share it.

I share those four ingredients, in that order, because that is what I had to figure out on my own. I landed at a company with values but no pay philosophy. And because there was no philosophy for me or any manager of

people to anchor into, salaries had no structure and inequities were the norm. There was so much discretion in how someone was paid, each new hire compounded our situation of inequity.

For my first six months, I observed the impact of this lack of anchoring, while studying up on how to do pay right, and also how deeply pay mattered to the health and wellbeing of employees. One of my greatest resources early on in my study period, and still today, are local associations where I could connect with others, hear their challenges and successes, gain insight, and then apply that knowledge and experience to my situation.

There is a national organization with local chapters called SHRM (society for human resource management). The community I received from those associations made me feel empowered rather than alone, clear instead of uncertain, and decisive rather than unsteady about decisions and changes that needed to be made. As I grew in my career, I joined a national association called World at Work, which I still participate in today.

Like most things in life, learning about the dimensions of pay equity and how to apply them at your company, is a journey not a destination. Embrace the journey.

My final three pieces of advice:

- Go it together, not alone. Seek out opportunities to connect with others, share and learn. Find that local association.
- Transparency wins the day. Take every opportunity you can to show your people you care by being steadfast with how and what you communicate about fair pay
- Values are the heart of fair pay, just like your business strategy. Think of them as two sides of one coin.

You've got this.



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Compensate for the Value Provided

Author: DEI leader from the technology industry on how to think about pay for yourself.

You're Black, you're a woman, and you're in tech – let that sink in. The odds were stacked against you, but you are here. Now, what can you do to insist on fair pay for yourself, or for your people? I know you may not all be in tech like me, but whatever industry it is, you're a woman of color.

Pay is up close and personal to me. In my career, I was fortunate to have direct experience as a compensation and benefits practitioner and even more fortunate to have mentors and sponsors walk me through the benefits of different elements of pay including base pay, bonuses, stock awards, spot awards and deferred compensation, as well as other work-for-pay options.

I was also fortunate to have a varied career where I could practice my negotiation skills around compensation to help me speak up for the value I provide a company. I am also one of you – a Black woman. At my current tech company, I am part of the team overseeing fair pay and proud of the work we have done to achieve it globally.

I would like to give back by sharing 10 pieces of practical advice on how to be appropriately compensated for the value you provide.

- 1. Have a heart-to-heart talk with yourself regarding your feelings around compensation.** If you don't think you deserve what you're currently getting, or considering paying yourself, you run the risk of nobody else thinking and insisting that you deserve to be paid fairly. As a business owner, if you aren't paying yourself what you're worth, how can others have trust in you'll pay them what they're worth.
- 2. Do your research and know the standard level of pay for your role, for your level, for your organization and for your performance.** You may be a founder, a small business owner or something else. We were trained to be grateful for a big fat paycheck. But this doesn't mean that you should walk away from the opportunity to also ask for a fair paycheck, which might be fatter. (Repeat after me, fat does not equal fair).
- 3. Be informed on all the compensation options available – and also be knowledgeable about how and when decisions are made so that you**



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Compensate for the Value Provided

can plan accordingly. You also may be the one determining when and how pay decisions are going to be made, so talk with other mentors or sponsors who have gone through what you're going through now.

4. **Be curious about the work you're driving and map it to the value you're providing for the company.** What's the delta between your performance and your value? How's the company measuring up in general on ensuring fair compensation for the value provided?
5. **If you don't ask (or don't question), you won't get what you're looking for.** As women, especially as Black women, we often feel fortunate to have a well-paying job, but this doesn't mean we are being fairly compensated. I invite you to raise the bar and to unapologetically ask for the value you're providing, a value equal to the value that your colleagues and peers add.
6. **Be curious about the thinking, speaking and acting around pay equity at your company.** Or the culture you're creating around pay transparency at your company. Seek input and guidance on how your company can be better advocates for pay equity and how you can personally support that charter.

7. **Recruit a mentor or sponsor to help you have difficult conversations around compensation,** guiding you to be clear and direct but also collaborative and respectful. This mentor may also help you break down the discomfort and replace it with confidence and transparency for your business.
8. **Build a supportive network around compensation and cheer each other on.**
9. **Be patient and celebrate each small step forward.** Rome wasn't built in a day and any positive progress forward should be celebrated.
10. **Take a stand for others, regardless of their color, gender or role.** Be willing to sponsor and mentor others to pay it forward across other small businesses as your peers learn to build more equitable transparent workplaces.

Pay equity is for everyone. So, think about what you will do about it so that we can make a bolder, stronger, more unified stance together.



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Workplace Equity Wisdom

Author: Compensation and benefits leader from various industries (retail, technology, consumer products).

There are three pieces of workplace equity wisdom I'd like pass on to any entrepreneur starting or running a business:

1. Take the time to think through your rewards philosophy and how it relates to your business goals before creating your pay programs (or how you're going to pay people).

Many organizations fast-track through this step, but the guiding principles you develop early on will help you make more tactical design decisions later on. As you scale and evolve your approach, you will be able to come back to these principles to ensure you stay on track with your intentions.

For example, a technology company was growing quickly and wanted to analyze pay equity to ensure they were paying in alignment with their intentions. While they did not uncover any issues related to discriminatory practices, they did find that certain areas of the business were placing premiums on locations that had already been accounted for in their pay structure, and there were skill sets that,

in practice, were being rewarded but were not formalized in their programs.

It was clear from their analysis that they needed to better communicate the intentions of their designs and educate teams on how they should be applied. It also resulted in making pay adjustments to better-align pay with their pay philosophy.

2. Seek advice and expertise on best practices in pay design and management, but be conscious of your ability to create programs that truly reflect your organization's values and may challenge the status quo.

For example, an 18,000-employee global engineering firm determined they were no longer providing merit increases. Although merit increases are the norm, for a company culture that valued precision and measurement, the lack of rigor and level of subjectivity in their performance management program didn't align.

Instead, they provided increases periodically based on internal valuation of roles and competitiveness with the external market. Due to their ongoing analyses of pay across these dimensions, they ensured pay was accurate and fair.



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Workplace Equity Wisdom

3. Consider that sometimes the “least valued” when it comes to pay may provide the most value for your business. A large retailer was on the decline, and it was clear that a key contributor was their pay strategy: For the majority of their workforce, part time retail employees, they provided little more than a low hourly rate of pay. As a result of their strategy, they had greatly limited their talent pool, had high turnover, were not investing in engaging or developing their employees, and squandered opportunities to grow their business as these “less-valuable” employees were the ones interacting with customers each day.

They underwent a transformation to re-engage with their retail staff, offer enhanced benefits, higher wages, and conducted pay equity analyses to ensure fairness.

These investments paid off in less turnover, an internal pipeline for higher level store roles, and better customer service, increasing revenue.



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Embed Equity from the Start

Author: Compensation and Benefits leader from the construction industry.

I've learned a ton in my career – and it's not what I expected. If only I could travel back in time to give younger self, this is what I would say.

Dear Younger Me,

You have just started your career in compensation. You're still learning about best practices, comparisons, market benchmarking...and about the power you hold in your organization to influence strategy. As Older You, I'm happy to let you know that learning never stops and you do have incredible power to set a foundation of equity at your organization or small business.

But if I could advocate that you do just one thing as early as possible – before you make your first hire if that's where you're at, or in the next six months – it would be to embed equity in every aspect of your compensation strategy. You always knew pay equity was crucial – and you were lucky to work for a company whose leadership knew that too – but back then, compensation experts treated pay equity as something separate. An add-on. A discrete deliverable, a box to be checked off from time to time; maybe in the good years when there

were resources for a consultant. You didn't have the necessary data, software tools, or consistent methodology you could trust to entrench that analysis in an ongoing and continuous way. You had no idea if it was fair, and it certainly wasn't ongoing.

The good news is – when you know better, you do better. Today, I know that when you want to build trust with your people it is crucial that you have transparent standards and communication for equity, and that you can truly show your work.

Your compensation plan cannot treat equity as a hindsight reflection activity, but rather as prescriptive analytics that light the way forward. Not only do these insights help you do the right thing, but they also hold power to guide leadership in doing the right thing too.

So gather the data now. Resource the tools you need now. Educate yourself on the leading best practices in equity now. You'll not only set yourself up to be a smarter compensation expert or a more thoughtful entrepreneur, but you'll help your company build engagement and attract and retain its best people.

**When
you know
better, you
do better.**



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Embed Equity from the Start

People are the reason you got into this work in the first place. When you partner with advisors or other leaders to write the company's compensation philosophy, it all comes back to the people – they are your why. And paying competitively based on market surveys is not enough when we live in a world with racial and gender pay gaps and inequities.

Yes – you need to know what your competitors are paying so you can attract talent, while also not paying so high above market that costs are unsustainable. But market data does not solve for internal equity, especially when pay decisions are influenced by human beings with biases. You, yourself, have biases you aren't even aware of – everyone does – and that's why you need pay equity systems that are vetted by neutral third parties.

How do you solve for biases? It goes beyond not asking candidates for prior salary history and having calibration sessions with groups of leaders where you daylight the pay recommendations and check each other's work. That's what you're doing now, Younger Me, and it's a start but it's not the finish line. For true validation of equity, you need to look at the numbers and perform robust statistical analysis.

If the phrase “robust statistical analysis” terrifies you because you deliberately avoided all stats classes in college, that's ok. There are resources that will provide you the learning and tools you need to do this important work.

You'll grow as a compensation leader, or CEO, or whatever your role, and your people will trust you and your company more, and you'll rest easier with the outside validation that you are upholding fairness – not only at certain points in time, but continuously and consistently.



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WAYS TO CONTINUE LEARNING

To continue learning, here are some websites and resources we recommend.

- [Fair Pay Workplace](#)
- [Syndio](#) – workplace equity software; lots of free resources on how to think about pay
- [SHRM](#) for research, advice, and local chapter community building
- [World at Work](#) – for research, advice, and learning
- [PayScale](#) – for research and trends

This toolkit was made possible thanks to the generous support of the Wells Fargo foundation. Our deep appreciation to Jenny Flores and her mighty team for their leadership and vision.

Thank You

You are making the world a more dynamic place, and a more just one. Thank you for your interest in pay equity for your small business or venture endeavor. Investment in people decisions early creates a culture of dignity where all feel valued and trust is a cornerstone. Thank you for leading the way and investing the time to learn.

Please reach out to info@fpwp.org with any questions or support we can provide you, or do check out resources on our [Fair Pay Workplace website](#) or the website of our technology partner, [Syndio](#).

With gratitude and great admiration.



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