

# A *Competitive* Compensation Playbook.

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**Checklists to Optimize** Wage Growth,  
Salary Transparency & Hybrid Pay



#FINDYOURFORWARD

# Introduction.

More money, better retention. Company culture, reputation and benefits are very important but for most professionals, pay is the deciding factor behind their tenure at a business.

In a 2021 report from Lattice, HR leaders said 55 percent of their turnover was due to employees seeking higher compensation, outweighing all other reasons. It's a similar sentiment with job seekers: Nearly 80 percent of employees said that the main reason they would search for a new job is more money, according to a March 2022 survey we produced with Branddata. Different studies might produce different results around the reasons behind retention but it's safe to assume that pay will generally always be in the top two to three.

However, there are many nuances to unpack behind employee compensation. What role should wage growth (influenced by market competition for talent or inflation) play in an organization's recruitment and retention strategy? How does pay transparency factor into a person's decision to work for an employer? The emergence of hybrid work in recent years has also made national versus location-based pay a key battleground for businesses.

Together, all three of these topics ensure equity and transparency within a business, which is what professionals today demand from employers. Ultimately, they are the pillars of a compensation structure that serve as the foundation of an effective talent strategy. And it's vital that businesses build each pillar correctly if they stand a chance at growing and retaining their teams.

This playbook is meant to serve as a blueprint on how to construct each pillar effectively. In the following pages, we outline key insights about the importance of wage growth, pay transparency and hybrid work compensation within the recruitment and retention landscape. Then, we offer an actionable checklist around each subject that can immediately help you evolve your compensation structure and win over talent now and in the future.

# TABLE OF Contents

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- **SECTION 1: 2022 Average Tech Compensation**
  
- **SECTION 2: How to Address Wage Growth**
  - The Need-to-Know Wage Growth Insights
  - Checklist: Effective Wage Growth
  
- **SECTION 3: How to Build Better Pay Transparency**
  - The Need-to-Know Pay Transparency Insights
  - Checklist: Effective Pay Transparency
  
- **SECTION 4: How to Create a Hybrid Pay Structure**
  - The Need-to-Know Hybrid Pay Structure Insights
  - Checklist: Effective Hybrid Pay
  
- **Conclusion**

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## SECTION 1

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# 2022 Average Tech Compensation.

Before we begin, we wanted to first give you a sense of what the average tech compensation is in 2022 for the top technology roles. It will give you a sense of how your company compares and identify if you salaries need some improvement.

# Report Methodology.

The primary data in the following section was derived from search data from millions of professionals visiting our site each month. These tech professionals provide us with insights into their compensation packages through our salary tools. We analyzed these submissions and developed the average compensation range for 18 of the top roles within development and engineering, data and analytics and product job functions to help you determine what you should be paying tech candidates today. The roles highlighted here were chosen based on the increasing demand for these skills across our local sites.

This report is part of an annual five-piece series: The 2022 Candidate Insight Reports. These assets — dedicated to [benefits](#), [salaries](#), [content topics](#), [industries](#) and [popular tech tools](#) — are meant to give recruiters and people teams deep insight into what candidates are interested in and asking for in today's job market.

## SECTION 1

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# Development & Engineering Roles.

Role	Base
Software Engineer	\$119,942
iOS Developer	\$116,145
Front-End Developer	\$105,241
Android Developer	\$107,343
QA Engineer	\$96,895
DevOps Engineer	\$126,252
Salesforce Developer	\$112,187
Security Engineer	\$124,506
Senior Software Engineer	\$145,984
Engineering Manager	\$162,415
Software Test Engineer	\$99,656

## SECTION 1

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### Data & Analytics Roles.

Role	Base
Data Scientist	\$123,338
Database Administrator	\$131,034
Data Analyst	\$78,102

### Product Roles.

Role	Base
Product Manager	\$123,594
Product Owner	\$106,143
Product Designer	\$102,846
UX Designer	\$91,646

**DOWNLOAD: The Latest Tech Salary Expectations: Compensation is Key to Recruitment & Retention**

## SECTION 2

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# How to Address Wage Growth.

How much of a factor should wage growth be in your recruiting strategy? What role does it play in helping employers attract talent in competitive landscapes? How important is it when the cost of living is on the rise? In this next section, we answer these questions. Then we offer a checklist to help you build a future-proof wage growth strategy.



## SECTION 2

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# The Need-to-Know Wage Growth Insights.

The ever-evolving cost of living and how wages will be adjusted to fight inflation will always be a concern for talent. Employers should continuously keep this in mind and many already do: one in three U.S. employers boosted their projections for how much they would need to increase salaries in 2022 to account for both tight labor markets and inflation for that year.

However, inflation-fueled wage growth is only part of this story. Since the pandemic, wages have consistently been higher than pre-pandemic levels for tech jobs because of a scarcity of talent, an abundance of open roles and the speed of innovation. Tech pros know their skills and expertise are in demand and that the labor market is tight, so they can rightfully be choosy when shopping for their next opportunity.

As a result, it's now common practice for employers to offer higher wages as a competitive advantage to entice more talent. And with the scarcity of talent poised to remain for years to come, employers must continue to find ways to keep salaries growing.

“On the cost side, we’re feeling the financial impacts of the tight labor market, which caused us to raise compensation levels,” said Match Group COO/CFO Gary Swidler during a 2022 earnings call.

## SECTION 2

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Wage growth accelerated more in certain sectors, geo and for certain roles compared to others. For example, cloud architects got an average salary increase of 25 percent between 2020 and this year while software engineers saw an average increase of 11 percent during the same period. Tech wage inflation across the industry grew by up to 20 percent and wages in Austin, TX — a white-hot tech market — ballooned by up to 30 percent.

The numbers aren't that big everywhere. Salary increases for tech service roles at AT&T and Cisco Systems saw a 5 percent increase, for instance. But the fact of the matter is this: Businesses with the capital to put up big bucks for in-demand roles — like cloud computing architects, data scientists and machine learning experts — stand a better shot at securing talent than those that can't.

However, it's still possible for everyone else to compete. Employees want their spending power to remain the same despite inflation. Organizations can offset a major uptick in the cost of living with a slight bump in wages. This strategy shouldn't break the bank and it will be rewarded with an increase in employee engagement, which can boost profitability by 23 percent. Periodic wage growth is a worthwhile investment in the long run, if done smartly.

Keep reading to learn some of the key steps necessary to start accounting for holistic wage growth in your business.

## SECTION 2

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# Checklist: Effective Wage Growth.



### Track data on wage trends.

Use a tool like the Bureau of Labor Statistics' [Employment Cost Trends Index](#) to track wages and benefits across hundreds of roles and industries. Or use a [wage growth calculator](#) to keep an eye on where your wages fall.



### Be transparent about your budget.

If an employee asks about inflation- or merit-based wage growth but your budget only allows for a 3 percent increase, let them know. Be upfront with staff members in confidence so they don't feel like they're being forgotten. Transparency helps them manage their expectations in a healthy way.



### Be cautious of wage compression.

Paying outsized salaries for new hires, while keeping pay for current employees the same, can create wage compression. This gap can make existing employees feel undervalued and may encourage them to seek higher wages elsewhere. Find the right balance between offering competitive salaries to attract new talent and ensuring existing employees are being paid fairly.

## SECTION 2

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### **Explore other cost efficiencies.**

Determine where you can increase output by streamlining best practices (via automation, for instance.) Eliminate unnecessary spending and hire for roles that will provide outsized increases in productivity to offset wage increases.



### **Invest in other initiatives.**

More money for employees individually may not always be the answer (especially if your budget won't allow for it.) Some employees want better tech tools, more vacation time, better benefits or a greater emphasis in DEI. Invest in other elements that employees want (ask them!) to balance wage growth.



## SECTION 3

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# How to Build Better Pay Transparency.

Once your business sets up an effective wage growth strategy, candidates want to know about the results. In other words, most job seekers today want to be sure that a role is financially worth their time and expertise. Pay transparency gives them the insights they need to feel excited about hitting “Apply” or for staying at the company. Not only that, holistic pay transparency processes can give existing team members insight into how things like wage growth or promotions are calculated, which improves employee trust and engagement.

Find more about the value of pay transparency and how to apply it in this next section.

## SECTION 3

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# The Need-to-Know Pay Transparency Insights.

Not only do 67 percent of employees think that their organizations should be more transparent about pay practices, but around the same amount would actually *switch companies* to one with more pay transparency.

This transparency translates to a number of areas: getting insight into a position's salary through the job description; knowing pay ranges for all roles at the company; and understanding how salaries are calculated. Even simple, candid conversations about pay with managers or a scheduled payroll audit can create more of the transparency employees demand.

The gender pay gap is another pivotal area where more transparency can improve retention. More than two in three (67 percent) of tech employees said they would be more inclined to stay in their current role if their employer improved its DEI efforts. Additionally, they listed wage transparency/equitable pay as the investment that would keep them *most* engaged.

The secrecy surrounding salaries between genders can make it difficult for a woman to know if she's underpaid relative to her male colleagues. Those discrepancies widen throughout a woman's career, because employers tend to base salaries in part on a candidate's previous pay.

"It becomes difficult to hide this type of discrimination when it becomes public," Colorado State Senator Jessie Danielson said. "And it gives people an opportunity to advocate for themselves."

### SECTION 3

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Fighting this discrimination and the support for more pay transparency is being mandated by legislation around the country. California, Connecticut, Maryland, Nevada and Rhode Island have laws already in place, or upcoming, that require salary ranges to be made available either at an applicant's request or at a specific time in the application and interview process. Last year, Colorado enacted the Equal Pay for Equal Work Act to prevent gender-based wage discrimination.

New York City has a salary transparency law set to finalize in November 2022 that will require employers to include a "good faith salary range" in job ads for hourly and salaried positions.

Lastly, Microsoft announced it would start publicly disclosing salary ranges for both internal and external job postings no later than January 2023. The company is headquartered in Washington state and this move coincides with amendments to the state's Equal Pay and Opportunities Act. However, Microsoft's policy extends transparency to its job postings nationwide.

Pay transparency isn't going away and getting ahead of it will help retain and attract professionals. The following checklist will give you the tools to start building better pay transparency today.



**30%** employees that don't have a clear understanding of how their promotions or raises are adjusted

## SECTION 3

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# Checklist: Effective Pay Transparency.



### Get HR and finance to team up.

They should be strategic partners and identify what a role entails to be able to do proper comp benchmarking. They should partner together to define what a company's compensation philosophy is. Then they should define the process for how they're going to give pay increases and do market research.



### Survey your team.

Find out what employees want to know about their salaries, promotions, market valuations, wage growth adjustments and how those factors are calculated.



### Develop a pay philosophy that aligns with your talent strategy and culture.

What do you value in new hires? Which behaviors do you want to incentivize? The size and maturity, along with other factors, of your company influence your pay practices and ultimately, the types of talent you attract.



### Redefine “total rewards.”

Compensation can also include elements beyond a salary, like the added financial benefit of medical benefits, dental, vision, stipends and other elements that increase the financial rewards an employer offers employees.



## SECTION 3

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### **Conduct a payroll audit.**

Identify and resolve salary discrepancies, like why an employee is being under- or over-paid for their title and responsibilities.



### **Communicate.**

Offer a company-wide presentation on how the employee pay is calculated. Train managers to have proactive salary conversations with employees. Ensure that managers are well-equipped to answer detailed questions on all things pay (or that they can get quick answers if they are unsure.)



## SECTION 3

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### More on the HR + Finance Partnership

It's very important that HR and finance are in sync when it comes to all things compensation related. When these departments work in silos around employee pay, it can lead to poor outcomes for employees, the two departments individually and the business at large.

Built In's VP of People Kelly Keegan says HR and finance should be pulse checks for one another. For example, they should check each other when they see employee comp- or transparency-related practices that can be improved. They can also partner around how to look at their total rewards package in relation to other companies in the market.



There are really **good opportunities for finance and HR to work together to look at total rewards and compare them to top competitors.** For example, let's say your medical benefits aren't strong, and all your competitors have super high coverage for medical benefits, then your company might want to pay a little bit higher in terms of salary so that the total rewards package becomes more competitive.

**Kelly Keegan**

**VP of People**  
Built In



## SECTION 4

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# How to Create a Hybrid Pay Structure.

Hybrid work looks different from company to company but there's one thing that should be ubiquitous across every hybrid business: paying employees fairly. Pay structures in a hybrid work environment can and should incorporate both wage growth and transparency. Past that, there are a number of key insights employers should know and tactics they can implement to ensure their hybrid pay structure is equitable.

Let's explore those insights and tactics now.

## SECTION 4

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# The Need-to-Know Hybrid Pay Structure Insights.

Almost 90 percent of professionals today think they should be paid based on their role, not their location. Many employers are already receptive to the idea: 61 percent of businesses with remote staff say they pay telecommuting employees the same as in-person employees. However, 26 percent of companies pay based on location, largely using “cost of living” in specific places — like where employees work from or the location of the company headquarters — as the baseline.

The strategy generally gives higher salaries to people in major metropolitan hubs over those that live in less populated geos. However, it’s far from a perfect system. Talent in bigger geos can be falsely assumed to be “better” and the method also fails to account for the subjectivity of each employee’s living situation.

Let’s look at Google, who implemented a location-based salary calculator in August 2021. The implementation judged employee salaries based on where they worked and cut pay for those living outside big cities like New York City and The Bay Area where the tech giant has offices. One person who commuted two hours daily to The Bay from a nearby county said their pay would be cut by 10 percent if they worked remotely full-time. This negated the raise they received in a recent promotion, so they felt forced to continue commuting to the office.

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## SECTION 4

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Another employee left the company altogether.

“This feeling that I can't realistically leave the Bay Area and work for Google is enough for me to have decided to leave,” said Laura de Vesine, a former senior site reliability engineer at the company. “It's the fact that Google doesn't prioritize the needs of human beings. The fact that we have lives outside of work, that people actually have families.”

Many inside and outside Google see the decision as tone-deaf to the needs of employees and one that may affect its retention and employee engagement in the near and long term. Other companies should take note of the fallout from this situation.

With the abundance of remote work opportunities in this very competitive labor market, telecommuting professionals seeking more of that fairness in pay should have no problem finding it at another business. Employers can easily implement fair hybrid pay practices by basing salaries on national averages rather than location.

“We realized that to attract and retain high-caliber talent, we had to offer the candidate the same level of income potential as any other position,” said Brian Dolan, CEO at WorkReduce. “Thus, our pay bands are solely based on experience. Since doing so, our company has doubled in size, attracting and retaining the best talent in the market.”

Implementing an equitable hybrid work pay structure is easier than you think. We put together this checklist on the following page that will help you put one in place today.

## SECTION 4

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# Checklist: Effective Hybrid Pay.



### **Complete a market analysis.**

Use a reputable source to define your talent market and market positioning based on the size and stage of your company. Get data for the existing and upcoming roles and specialties reflected in your organization. Also educate your executive team on the importance of conducting a market analysis and fill them in on where the pay gaps are.



### **Plan your ideal pay structure.**

Based on the insights from your market analysis, determine the next steps. Can you afford a role/national-based salary or should pay be driven by location? If location-based, will it be determined by an employee's geo or the location of your HQ, for instance? Will you target new applicants from specific regions? If an employee moves from a low-cost to a high-cost geo, will you offer them more financial rewards?



### **Set up a pay scale for each role based on the chosen structure.**

Build a standardized pay scale for each role that can: ensure equity across the team, leave some wiggle room for negotiation and prevent rebuilding a new pay scale for hiring a duplicate role.

## SECTION 4

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### **Ensure compliance.**

Know your local labor laws for the geos you're hiring in or plan to hire in.



### **Be transparent.**

Explain the fundamentals of your hybrid pay structure to employees. Document policies publicly and update them regularly. Train managers on how to speak to the structure and answer questions.



# Conclusion.

Pay is paramount for talent. And because it's so important, employers need to do everything they can to ensure every aspect of their pay practices are fair, equitable, transparent and well-thought-out. No part of an employer's compensation structure should be left up to chance; organizations can't afford to lose talent.

A business's approach to wage growth, pay transparency and/or hybrid compensation can attract or repel a talented tech professional to the organization — it all depends on execution. We hope the insights and best practices in this playbook help you build holistic pay strategies that can put you ahead in the talent game now, and for years to come.







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Built In helps tech professionals stay on top of trends and news, expand their networks and carve out futures at companies they believe in.



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**Let's work together.**

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