



## A case against 'fair pay'

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Fri, 2015-11-20 18:13

Look at any report on what kills employee motivation and engagement, and you are sure to see something about managers treating employees unfairly. Natural foods purveyors often have an ethos to maintain as fair a workplace as possible. As a result, many managers have put immense effort into doing everything they can to ensure that policies and actions are unassailable from a fairness vantage point.

However, the vantage point that you take is what makes being fair not as easy as it seems. For example, is it fair to give everyone a 50-cent raise, or is it fair to give everyone a 3 percent raise?

One problem is making a distinction between what is fair and what is equitable. One way to think about it is that fairness ensures everyone gets the same thing. In that sense, fairness is very clear and easy to administer. So in the case above, it would be fair to give everyone a 50-cent raise. This is often the case in union contracts.

Equitable, on the other hand, ensures that everyone gets what makes sense given the circumstances, even if what everyone gets is not equal. In other words, what individuals actually end up with can differ, based on factors such as their performance or the current value of their job to the organization.

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Even without pay for performance, there is a case to be made for equitable pay. Most businesses pay more for people who bring skills or experience to a position. Assuming that is the case, and those who are currently paid more bring more total value to the organization, is it fair that those staff should get the same raise as a brand new hire? Or is the value of another year of service from the more skilled employee worth more than the year of service from the newer staff person? If it is, then using a percentage increase would likely be more equitable, though not fair in a strictly dollar sense.

Also consider that pay ranges for your various positions are nearly never exactly the same dollar amount from the bottom to the top. Entry-level positions tend to have smaller ranges in order to not be vastly overpaying or underpaying compared to the market. However, for more complex jobs where you can have an array of skills and experience, you may want a wider range to allow for lower pay for someone who is qualified but relatively inexperienced, and higher pay for someone who continues to grow and add value to their position.

If your pay ranges are not exactly equal in terms of dollar spread, then offering flat dollar increases can lead to pay compression--where those who are in the lower levels or have smaller ranges quickly reach the top of their pay range, often making close to what those in higher responsibility positions are

making. In reality, if you have a business that has different pay ranges for different positions, then fairness by the strict definition is already gone. In order to maintain whatever differentiation already exists, using a percentage to progress through the pay ranges can keep people in the same relative position in their pay scales.

There is no definitive right or wrong when it comes to flat vs. percentage-based pay. There are plenty of successful businesses using both methods. Whichever method you choose, make sure you are clear on your rationale and that it meets your needs to attract and retain your top talent.

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