



Compensation

is a key driver of workplace wellbeing

Fair pay and other forms of compensation are foundational to building workplace wellbeing. Employees who are paid fairly are typically more loyal to their organisations, better able to support their families and more active participants in their communities. Beyond fairness, organisations must also consider what types of behaviour their compensation structure incentivises to avoid unintended consequences.



Compensation Interventions



Be transparent about pay to narrow inequalities

Organisations that institute pay transparency policies by revealing individual salaries or job pay scales can increase their likelihood of narrowing pay inequalities, specifically regarding gender, ethnicity or minority groups.^{1,2}

For pay transparency to be successful, employees must have the capability and opportunity to renegotiate their pay, and managers must be open to giving raises to employees, especially for those who are paid below average.³ If employees are less well-paid than their colleagues, dissatisfaction will rise.



Organisations should be clear about their intentions for implementing pay transparency to minimise negative attitudes and workplace conflict.





Compensation Interventions



Specify terms for salary negotiations when recruiting

When employers fail to communicate that salaries are negotiable, gender pay gaps persist. One study reveals that when job postings do not outline terms for salary negotiations, men are more likely to negotiate for higher pay whereas women are more likely to signal their willingness to work for less.⁴ Conversely, when employers explicitly state on job postings that salaries are negotiable, the gender pay gap decreases.

Consider implementing a workplace policy outlining the process for salary negotiations or encourage managers to bring up the topic with their teams. Employees may wrongfully assume that their pay is locked in until they earn a promotion or fear starting the conversation.





Compensation Interventions



Pay a living wage at minimum



A living wage reflects what a worker needs to cover basic expenses according to the cost of living in their community. It is typically higher than minimum wage and has significant benefits to both employee and societal wellbeing.

Consider signing on to your local living wage campaign to ensure all of your employees can meet their basic needs including food, housing, transportation, and childcare. Research shows that a living wage improves self-rated health, social status, and reduces symptoms of mental illness.^{5,6} If you contract staff through agencies, ensure they are paid the living wage.



Want to learn more? Visit the [MIT Living Wage Calculator](#) for the United States. Similar living wage calculators can be found online for other countries.



Compensation Interventions



Share profits with employees

Providing stock options or bonuses to employees, especially during times of significant organisational success, can increase motivation, retention, workplace trust, and job satisfaction.

A longitudinal study of British and European workers revealed that employees compensated according to group-based performance were more satisfied with their jobs.⁷ This association was partly due to increased perceptions of fairness and loyalty.

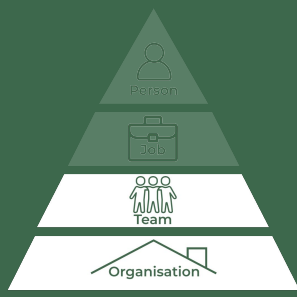


Group-based performance pay may mask the negative impact of poor working conditions on worker wellbeing, which can pose risks to organisational performance in the long-term if left undetected.

Organisations can uncover such issues by asking employees to identify workplace stressors and then taking actions to minimise those stressors beyond compensation.⁸



Compensation Interventions



Group incentive pay

An analysis of the top 100 Best Companies to Work for in America revealed that employees who receive group incentive pay participate more in decisions, exhibit greater information sharing, trust management more, and report a more positive workplace culture compared to employees who do not.⁹

There are several compensation structures that support group incentive pay including team bonuses, employee ownership, profit sharing, and stock options. The appropriate approach will depend on the nature of work within a particular organisation and their strategic goals.



It is important that work demands are shared equitably among team-members to avoid “free-riding” which can foster resentment and perceptions of unfairness among employees.





Compensation References

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Making the most of this resource

1 Measure

Conduct an employee survey to assess four core dimensions of employee wellbeing: **job satisfaction, happiness, stress, and sense of purpose.**

Collectively, these provide a scientifically validated, multidimensional view of how employees experience work.

Equally important, organisations should measure **the drivers of workplace wellbeing** - the underlying working conditions, relationships, and organisational factors that shape those experiences.

2 Understand

Once you've got the data, the next step is to **identify which drivers most strongly predict wellbeing outcomes within your organisation.**

Workplace wellbeing is multidimensional, shaped by a range of drivers, but not all drivers exert equal influence in every context.

By applying **data analysis at scale**, organisations can uncover which factors most powerfully explain wellbeing within their organisation.

3 Act

Once you have identified your priority drivers, the next task is to **select and implement interventions** that address them effectively.

The Playbook provides a curated selection of **evidence-based interventions** to help you act with confidence to choose interventions that are both empirically grounded and contextually feasible.

Don't forget to build **evaluation** plans into your intervention design.



Read [our guidance](#) document before getting started, to ensure you get the most out of the resources.

Sharing this resource



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Compensation

is just one key driver of
workplace wellbeing

These are just some of many evidence-based interventions recommended in the Work Wellbeing Playbook.



All recommendations and academic citations, organised by driver, are available for free on our website:

www.worldwellbeingmovement.org/playbook