



Pay Compression Risk Audit Worksheet

Find where new-hire rates have collided with veteran pay — and score the flight risk before your best people do the math.

WHAT THIS HELPS YOU DO

Use this worksheet to measure pay compression across roles — comparing tenure, compa-ratio, and new-hire rates — and to score which compressed employees are the biggest retention and equity risks.

WHEN TO USE THIS DOCUMENT

- After raising starting pay to compete for new hires
- When a veteran employee discovers what the new hire makes
- Before annual merit budgets are set
- When supervisors earn barely more than the people they supervise
- Before posting any job at a rate above current incumbents

WHAT THIS DOCUMENT HELPS PREVENT

- Quiet resignations of your most experienced people
- Supervisors who refuse promotion because the premium isn't worth it
- Pay equity claims where compression correlates with protected classes
- Merit budgets spent evenly while the real problem sits in three roles
- New-hire offers approved with no view of who they'll leapfrog

Faulkner HR Solutions focuses on the system behind the people problem. This tool is designed to help employers slow down the decision, identify the risk, and create proof before the issue becomes a claim, complaint, turnover event, or credibility problem.

BEFORE YOU START: READINESS CHECKLIST

Gather the following before working through this document. Incomplete inputs are one of the most common reasons employer decisions fail under later scrutiny.

Have it	Input	Notes / location
<input type="checkbox"/>	Employee name and role	
<input type="checkbox"/>	Date of incident, request, or separation	



Have it	Input	Notes / location
<input type="checkbox"/>	Supervisor involved	
<input type="checkbox"/>	Policy or handbook section that applies	
<input type="checkbox"/>	Prior documentation on file	
<input type="checkbox"/>	Pay records, if applicable	
<input type="checkbox"/>	Relevant emails, texts, notes, or complaints	
<input type="checkbox"/>	Decision-maker name	
<input type="checkbox"/>	Deadline, if applicable	



COMPRESSION AUDIT

Compression is measured, not felt. Build the data table first, score the risk second, and spend the correction budget where the score says — not where the loudest complaint is.

Part 1 — Role Data Table

Complete one row per employee in the audited role family. Compa-ratio = pay ÷ range midpoint.

Employee / role	Tenure (yrs)	Current pay	Range midpoint	Compa-ratio	Newest-hire rate, same role

Part 2 — Compression Indicators

Present	Indicator	Where / who
<input type="checkbox"/>	New hires within 5% of employees with 3+ years' tenure in the same role	
<input type="checkbox"/>	Tenure and pay barely correlate when the table is sorted	
<input type="checkbox"/>	Supervisors earn less than 10-15% above their highest-paid direct report	
<input type="checkbox"/>	Overtime-eligible staff regularly out-earn their exempt leads	
<input type="checkbox"/>	Long-tenured employees sit below midpoint while new hires start near it	
<input type="checkbox"/>	Recent market adjustments went to new hires only	

Part 3 — Risk Scoring

Score each compressed employee 1-3 on each factor; total 4-12. Address 10+ first.

Employee	Compression severity (1-3)	Market demand for their skills (1-3)	Criticality / hard to replace (1-3)	Awareness / morale signals (1-3)	Total



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Part 4 — Root Cause

Applies	Cause	Notes
<input type="checkbox"/>	Starting rates raised without adjusting incumbents	
<input type="checkbox"/>	Merit increases below market movement for years	
<input type="checkbox"/>	No pay ranges — every offer negotiated ad hoc	
<input type="checkbox"/>	Promotions given with title but minimal raise	
<input type="checkbox"/>	Acquisitions/mergers importing different pay scales	

Part 5 — Correction Plan

Employee / group	Adjustment	Timing (immediate / phased)	Cost	Approved by

Part 6 — Equity Screen

Checked	Equity question	Findings
<input type="checkbox"/>	Does compression fall disproportionately on any protected class?	
<input type="checkbox"/>	Will the correction plan itself create new disparities?	
<input type="checkbox"/>	Are corrections documented with business rationale (market, tenure, performance)?	



Role	Name / signature	Date
Prepared by		
Budget approved by		

STOP AND REVIEW BEFORE ACTING

If any statement below is true, pause. Get the decision reviewed by HR, counsel, or Faulkner HR Solutions before you act.

- A top performer just asked what new hires start at.
- The next posting will advertise a rate above half the current team.
- Compression correlates with sex, race, or age in the data table.
- Supervision premium is under 10% anywhere.
- The plan is to 'fix it at merit time' eight months from now.

MINIMUM DOCUMENTATION STANDARD

Before this file is closed, the employer should be able to answer every question below and point to where the proof lives.

Question	Your answer / where the proof is stored
What happened?	
When did it happen?	
Who observed or reported it?	
What policy, standard, deadline, or expectation applies?	
What decision was made?	
Who had authority to make the decision?	
What alternatives were considered?	
What risk was reviewed?	
What follow-up is required?	
Where is the proof stored?	

COMMON MISTAKES

1. Fixing the squeaky wheel instead of scoring the whole role family.



2. Spreading the merit budget evenly to avoid hard choices — compression survives peanut butter.
3. Assuming employees don't know each other's pay; they do, and pay transparency norms are accelerating it.
4. Correcting new-hire compression while ignoring the supervisor premium it crushed.
5. Making corrections with no documented rationale, creating tomorrow's equity exhibit.
6. Treating compression as a one-time fix instead of a standing annual check.

WHAT TO DO NEXT

Fund the 10+ scores first, phase the rest with dates employees can be told honestly, and re-run the audit whenever starting rates move. Pair corrections with the New-Hire Pay Exception Approval Form so the next offer doesn't rebuild the problem.

Before you terminate, deduct, discipline, classify, or respond, get the decision reviewed.

Call 210.446.8730 or email thomas@faulknerhrsolutions.info.



Before you process payroll, terminate, classify, deduct, or respond to a claim, get the decision reviewed.

Need help applying this to a real workplace decision?

Faulkner HR Solutions helps Texas employers, nonprofits, municipalities, and growing businesses fix the people systems behind recurring workplace problems.

If this document raised a risk flag, do not guess your way through the next step.

Call: 210.446.8730

Email: thomas@faulknerhrsolutions.info

Website: faulknerhrsolutions.info

DISCLAIMER

This resource is provided for general employer education and planning purposes. It is not legal advice and does not create an attorney-client relationship. Employment laws, agency guidance, and local requirements may change. Employers should review the facts of each situation before acting and consult appropriate HR or legal counsel when needed.