

MINNESOTA PASSES PAY EQUITY AND TRANSPARENCY LAW: 7 THINGS EMPLOYERS NEED TO DO BEFORE 2025

Insights
May 24, 2024

Minnesota is embracing the latest trends in pay equity and transparency that will require most employers to revamp their hiring and compensation practices starting January 1, 2025. The new law, signed by Governor Tim Walz on May 17, mandates all employers with 30 or more employees in Minnesota to include a pay range or fixed pay rate in all job postings. The hope is that job seekers have a clearer understanding of their potential earnings prior to submitting an application. What are the seven things Minnesota employers should do this year to prepare for this new law?

New Law in a Nutshell

This new pay equity and pay transparency law builds on the state's recent legislation which prohibits asking applicants about their pay history. A few key points:

- It applies not only to your job postings but to job postings by third-party recruiters such as staffing agencies.
- If the listing includes a pay range, it must be a "good faith estimate" reflecting a realistic expectation of what you are willing to offer for the position. It cannot be an open-ended range and instead demands a more precise disclosure.
- The posting must also include a general description of benefits and "other compensation" offered. This encompasses health insurance, retirement plans, bonuses, and any other financial perks associated with the position.

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7 Key Considerations for Employers Before January 1, 2025

Here are seven key considerations and steps for consideration that you should take to prepare.

- 1. Update Job Posting Templates and Procedures:** You should review and possibly revise your job posting procedures to ensure compliance with the new requirements. Update posting procedures to include third-party recruiting. You should also revise job posting templates to include sections for pay range, benefits, and other compensation. Ensure these templates are used consistently for all positions covered by the law.
- 2. Confirm Compliance in Existing Policies and Procedures:** This may involve updating templates, training HR personnel, and establishing protocols for determining and documenting pay ranges and fixed rates. You should establish clear policies for determining pay ranges and fixed rates. These policies should be based on objective criteria such as experience, education, and market rates, and should be consistently applied across all job postings.
- 3. Train HR and Recruitment Staff:** Provide training for HR and recruitment teams on the new requirements and the importance of compliance. This training should cover how to determine, and document pay ranges, as well as how to communicate this information effectively to applicants.
- 4. Increased Transparency:** The law's emphasis on transparency will likely lead to increased scrutiny of pay practices. You must be prepared to justify your pay ranges and ensure they align with market standards and internal equity considerations. To prepare, you should consider conducting a pay audit including the evaluation of current pay structures to ensure they are equitable and justifiable. This pay audit should identify any disparities that need to be addressed before the law takes effect. Don't delay in conducting the pay audit as companies should be prepared to act on any of the identified disparities. Save enough time to implement changes as well.
- 5. Multi-State Operations:** Companies with operations in multiple states must navigate varying pay transparency laws, which can complicate compliance efforts. Coordinating these requirements while maintaining

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consistency in job postings across different jurisdictions will be a key challenge. The law poses potential compliance challenges by remaining silent on whether the requirements will extend to positions that can be performed anywhere in the United States. You should be prepared to pivot if you hire employees who live in other states but are applying for a remote position based out of Minnesota.

6. **Impact on Recruitment and Retention:** Transparent pay practices can enhance an employer's reputation, making them more attractive to job seekers. They can also expose disparities that may exist within the organization, potentially leading to employee dissatisfaction and turnover if not addressed appropriately. Remember that current employees will be able to see what the hiring rate is for new positions. Be prepared to manage discontentment from employees who may feel underpaid and undervalued compared to new, less tenured, employees.
7. **Engage Legal and Compliance Experts:** Consult with legal and compliance experts to navigate the complexities of the new law and to ensure all aspects of your recruitment practices meet the required standards. Work with your counsel to learn more about the benefits of a pay equity audit and other best practices to ensure that your organization remains compliant with this and other pay transparency laws around the country.

Conclusion

We will continue to monitor developments in Minnesota and throughout the country on pay transparency and pay data reporting. Make sure you are subscribed to [Fisher Phillips' Insight System](#) to get the most up-to-date information. If you have questions about the new Minnesota pay transparency requirements, please contact your Fisher Phillips attorney, the authors of this Insight, any member of our [Pay Equity Practice Group](#), or any attorney in [our Minneapolis office](#).