

## HR Wellness Foundation Series | Monthly Blog

# Performance Reviews in the Age of Pay Transparency

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There is a quiet but persistent myth floating around early-stage companies: “Our team is small and close-knit. Everyone knows how they’re doing, so we don’t really need formal performance reviews.”

It’s an understandable belief. When a team is compact and trust is high, a formal review process can feel like corporate overhead. Just something designed for faceless corporate structures or for organizations too large or too siloed to know their people, and not for teams that all eat lunch together. But here’s the reality: performance reviews are not a symptom of organizational distance. They are one of the most direct, meaningful tools leaders have for telling employees something every single one of them wants to hear: how they’re actually doing. And in today’s landscape of growing pay transparency requirements, that conversation has never mattered more.

## What Employees Actually Want

Managers often underestimate how much their team members want structured feedback, not because employees are insecure, but because clarity is a basic human need at work. Employees want to know: *Am I performing well? Where do I stand relative to expectations? What does my path forward look like here?* So, when those questions go unanswered or are addressed only in passing during a hallway conversation, employees don’t feel more trusted or empowered. They feel uncertain. And that uncertainty quietly chips away at employee engagement, motivation, and retention.

Managers often view performance reviews as a necessary evil, something that is time-consuming, uncomfortable, and hard to do well. But this framing misses what employees experience on the other side of the table. For many employees, a performance review is one of the only dedicated moments when someone in leadership sits down with them, looks them in the eye, and says: *I see your work, I’ve been paying attention, and here’s what I think.* That is not a bureaucratic formality. That is the kind of leadership that employees remember long after the meeting ends.

## Cadence: Annual Reviews Are a Starting Point, Not a Strategy

One of the most common structural gaps in performance management is treating the annual review as the whole program. It isn’t. An annual review captures a moment in time, but a year is a long time to leave employees without a formal checkpoint on how they’re progressing, where they’re excelling, and what needs to shift.

A mid-year review should be table stakes for most organizations. It creates a natural halfway point to revisit goals, surface concerns before they become problems, and give employees enough runway to course-correct before year-end. For fast-moving teams, quarterly

touchpoints, even in a lighter format, can be even more effective at keeping performance conversations alive rather than saving them all for a single high-stakes annual moment.

Either way, there is no one-size-fits-all cadence. The right rhythm depends on your organization's size, pace, and culture. But one thing is consistent: the less frequently you have structured performance conversations, the more pressure you put on each one to carry everything, feedback, course correction, goal-setting, and compensation, at once. That's a recipe for reviews that feel overwhelming for managers and employees alike.

## The Review Itself Is Only Half the Equation

Having a performance review on the calendar is a start. But sending a completed form to an employee without sitting down to discuss it together is a missed opportunity, and it's far more common than most organizations would like to admit.

The difference between a review that builds trust and one that creates confusion often comes down to one thing: did the manager and employee actually talk about it? A written evaluation captures what happened, but the conversation makes meaning out of it. When managers walk employees through their feedback, invite dialogue, and create space for the employee's own perspective, several things happen:

- The employee feels seen rather than judged
- Misunderstandings can be clarified in real time
- Goals become shared
- Trust is reinforced

This is not a luxury reserved for large companies with formal HR departments. It is the basic practice that transforms a performance review from a compliance exercise into a genuine leadership tool.

## Why Calibration Is No Longer Optional

If the goal of a performance review is to give employees an honest, accurate picture of their performance, then the ratings attached to those reviews have to actually mean something. This is where calibration comes in and where many organizations quietly fall short.

Calibration is the process by which managers align on what performance standards look like across the organization. Without it, "exceeds expectations" in one team might mean something entirely different in another. This inconsistency has always been a fairness problem, but in the current environment of expanding pay transparency, it's increasingly becoming a legal and cultural one as well.

## Performance Reviews and the Pay Transparency Shift

Pay transparency laws are expanding rapidly. When employees can see salary ranges for their roles, or when that information becomes legally required, they naturally begin asking more questions: Why am I at this point in the range? What would it take to move? How do performance ratings factor in?

These are exactly the questions pay transparency is designed to surface, and they point directly back to the performance review. When compensation decisions are tied to performance, those evaluations need to be defensible, not just to the employee across the table, but legally and culturally across the organization. That means:

- **Ratings must be consistent.** When managers evaluate performance differently based on personal style or unconscious bias, the resulting compensation disparities become difficult to explain and potentially impossible to defend.
- **Feedback must be documented.** Verbal impressions and informal conversations are not sufficient when employees begin asking, or regulators begin examining, why pay decisions were made.
- **The process must be fair.** In an environment of increased transparency, equity and pay fairness are operational requirements, not just values to aspire to.

The good news is that a strong performance review process is, in and of itself, a calibration tool. When reviews are conducted consistently, documented thoroughly, and discussed openly, they create the foundation of trust that pay transparency demands.

## Keep Compensation Out of the Review Room

Here's a counterintuitive but important principle: the performance review is not the right time to discuss compensation.

It sounds contradictory, especially in a post about pay transparency. But when a manager opens a review conversation and an employee knows a merit increase or bonus decision is coming, everything else gets drowned out. The thoughtful feedback, the recognition, the development goals, all of it competes with one question the employee is running in the background the entire time: how much am I getting?

That's not a failure of the employee. It's simply human nature. And it's a structural problem that organizations can solve by simply separating the two conversations.

The performance review should be exactly that: a conversation about performance. What the employee did well, where they have room to grow, what goals look like going forward, and how the manager sees their trajectory. That conversation deserves its own space uncluttered by the distraction of a number.

The compensation conversation happens separately, anchored to the performance outcome but given its own dedicated time. In that conversation, managers can:

- Reference a clear compensation framework rather than subjective explanations
- Use direct, specific language about how experience, responsibilities, and performance inform placement within a range
- Create space for questions and make it clear that asking is welcome
- Know when to loop in HR for questions that go beyond the scope of the conversation

Employees who understand how compensation decisions are made, and who trust that those decisions are grounded in consistent, fair criteria, are more engaged, more loyal, and more likely

to stay. But they can only absorb that information when it's not competing with everything else happening in the review room.

## Timing Is a Leadership Decision

Even the most thoughtful compensation conversation loses its power if it happens at the wrong time.

Consider a team that wraps its annual performance cycle in December, based on work delivered throughout the year. If merit increases tied to that performance aren't communicated until May or June, six months into the following year, the motivational connection is broken. Employees have already moved on. The work being rewarded feels distant. And in some cases, they've already started looking elsewhere, not because the number was wrong, but because the silence felt like their answer.

Timing is a management tool. Recognizing and rewarding performance close to when it happened signals that leadership is paying attention and that results matter and are responded to. Delayed recognition, no matter how well-intentioned, can read as indifference.

This is especially true during periods of organizational stress. If a company is navigating a layoff, a restructure, or significant uncertainty, and merit conversations are still months away for the employees who remain, the message that lands is not one of stability. It's one of afterthought.

**The principle here is simple:** reward and motivate people when it counts, not when it's finally convenient. The closer compensation recognition is to the performance it reflects, the more meaning it carries.

## Building Reviews That Hold Up

The organizations that navigate pay transparency most successfully are not the ones that scramble to respond to new legal requirements. They are the ones who built strong performance review practices before the scrutiny arrived. That means:

- Establishing a review cadence that goes beyond annual: mid-year at minimum, quarterly where it fits
- Training managers to give feedback that is specific, actionable, and honest
- Calibrating across teams so that ratings carry consistent meaning
- Documenting conversations and outcomes, not just completing forms
- Separating performance conversations from compensation conversations so each gets the attention it deserves
- Timing compensation decisions close enough to the performance period they reflect to actually motivate employees

None of this requires a massive HR infrastructure. It requires intention, consistency, and the belief that telling someone how they're doing, and rewarding them for it promptly and fairly, is one of the most valuable things a leader can do.

Performance reviews are not a necessary evil. They are one of the clearest expressions of a culture that takes its people seriously. Structure the conversation well, time it right, and keep compensation in its own lane, and the review becomes something employees actually look forward to.

**In a moment when employees expect more transparency about pay, expectations, and their future, that expression matters more than ever.**