

Salary History Ban

Research

The pay gap and the salary history question: What we know

- The pay gap nationally
- How the salary history question is used by human resource professionals
- Removing the salary history question is a leading recommendation and emerging best practice
- Removing this question will make a difference



Equal Pay for Equal Work

The Wage Gap: National Data

In the United States, women are paid **80 cents** for every dollar earned by men. Over a 40-year career, the gender wage gap costs women **\$403,440**.¹

Many women of color are paid even less. For every dollar made by white, non-Hispanic men, Black women make **61 cents** and Latinas make **53 cents**.²

Globally, women make **77 cents** for every dollar earned by men. It will take **70 years** to close this gap.³



WOMEN'S FUND
of the **GREATER CINCINNATI FDN.**

Mean Hourly Wages by Gender

\$10.00 \$15.00 \$20.00 \$25.00 \$30.00 \$35.00 \$40.00

Educational Attainment

High School and Below

\$2.83

Some College

\$3.21

Bachelor's Degree

\$6.21

Advanced Degree

\$6.41

● Female

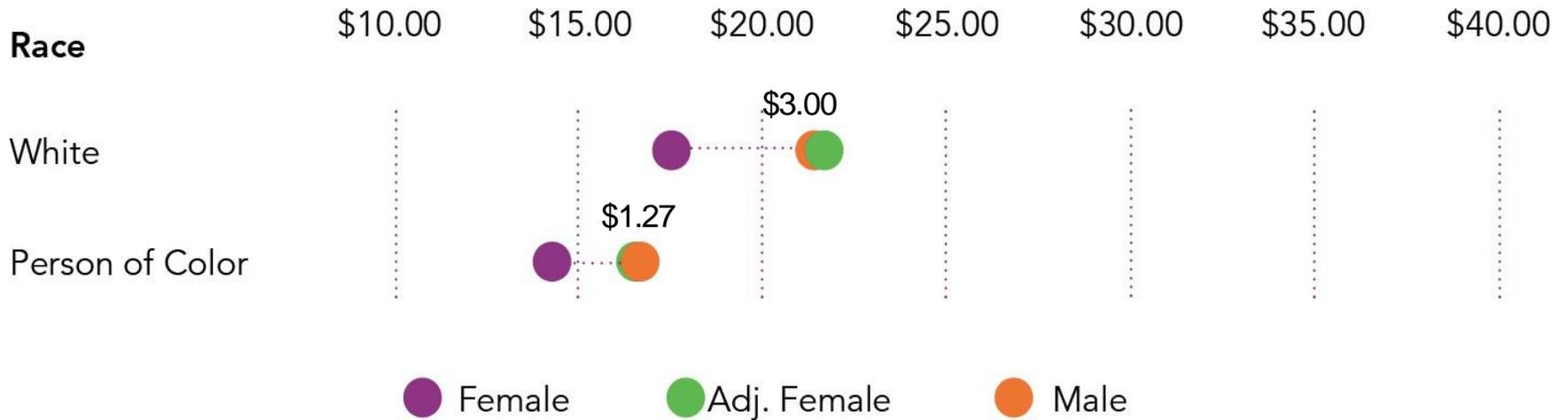
● Adj. Female

● Male



WOMEN'S FUND
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Mean Hourly Wages by Race

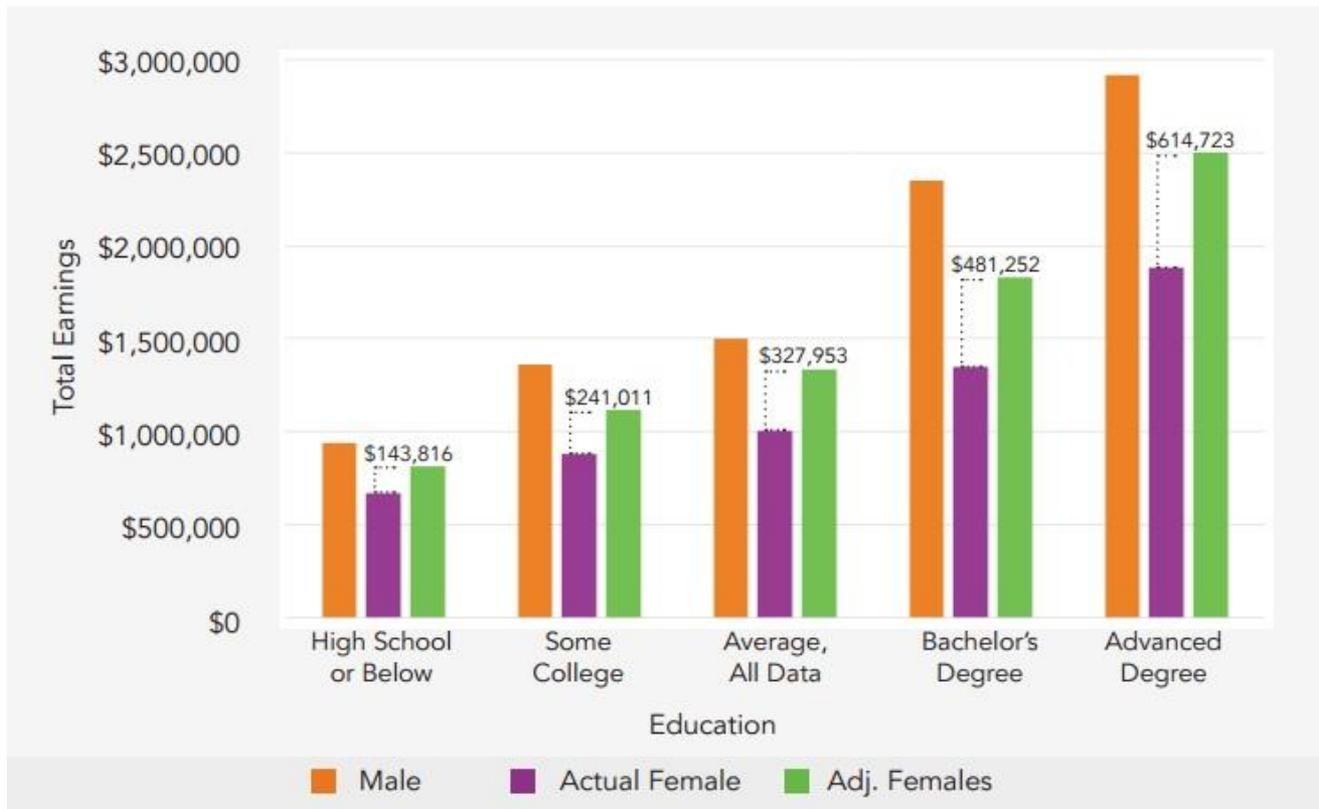




WOMEN'S FUND

of the GREATER CINCINNATI FDN.

Total Earnings in the Cincinnati MSA, Age 40-67,
by Gender and Educational Attainment



How the salary history question is used

The Human Resources Perspective

Society for Human Resource Management Article—
“Salary History Bans Could Reshape Pay Negotiations”
February 16, 2018⁵

“**A**nd what's your current salary?”

For as long as many HR professionals and job seekers can remember, that question has been asked and answered almost reflexively during initial hiring discussions. It gives an employer critical early information. Applicants who earn more than the amount budgeted for the job can be screened out right away. Those making much less can be snapped up at a bargain, while still enjoying a salary bump.

Like all business professionals, hiring managers are constrained by budgets, and they want to get the best bang for their buck every time they bring someone on board. They've traditionally relied on past salaries as a yardstick for gauging the minimum they could pay a candidate.

Yet that approach makes individuals' personal work histories—rather than the value of a particular job to the organization—a top determining factor for setting compensation, which some experts and legislators say is illogical at best and potentially discriminatory at worst. That's why it's best to negotiate salary in other ways, such as by asking a candidate what his or her expectations are, to avoid making pay gaps worse, Fisher says.

Society for Human Resource Management Compensation Equity Public Policy Issue Statement⁶ April 2018

- **Pay History** — SHRM asserts that salary history should not be a factor in setting compensation. Compensation decisions should be based on the value of the position to the organization, competition in the market and other bona fide business factors. Employers should be able, however, to discuss compensation and pay expectations with a job candidate or employee as part of the pay-setting process.



Compensation Equity

Public Policy Issue Statement

April 2018

Background: Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967 and the Equal Pay Act of 1963 are among the laws that prohibit wage discrimination in the workplace. Jobs that have the same functions and similar working conditions and that require substantially the same skills must be

The Wage Gap: National Data

Women start behind and never catch up

Women ages 15 to 24, working full-time, earn **92 cents** for every dollar earned by their male counterparts. This gap increases over time, reaching **76 cents** per dollar by ages 45 to 64.⁷

Women working full-time one year out of college earn just **82 percent** of their male peers.⁸

It doesn't stand alone

This is a leading recommendation and emerging practice



WOMEN'S FUND
of the **GREATER CINCINNATI FDN.**

*We reviewed 31 policy reports
about equity and/or the
gender wage gap—
23 of them recommended
removing salary history inquiry
as one way to diminish the gap.*

A Stronger California
AAUW
All-In Cincinnati
Asset Funders Network
Center for American Progress
Chicago Area Partnerships
Flexjobs
Hamilton County Commission on Women
and Girls
Institute for Research on Labor and
Employment at Berkeley
Iowa Women's Foundation
National Partnership for Women and
Families
National Employment Law Project
National Association of Independent Schools
Pay for All
PayScale
Queen City Certified
Society for Human Resource Management
State of Wyoming
The Women's Fund of Central Ohio
United States Office of Personnel
Management
Women Employed
Women's Fund of Hawaii
WREN: Women's Rights and Empowerment
Network

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- ABLE
- DSA of Toledo
- Equality Toledo
- AFSCME
- NW Ohio AFL-CIO
- Building Trades of NW Ohio
- NAACP (Toledo Chapter)
- United Pastors for Social Empowerment
- United Way of Greater Toledo
- YWCA of Northwest Ohio
- Innovation Ohio
- League of Women Voters
- National Association of Social Workers (Ohio Chapter)
- American Association of University Women

WorldatWork , March 2018 survey²

WorldatWork

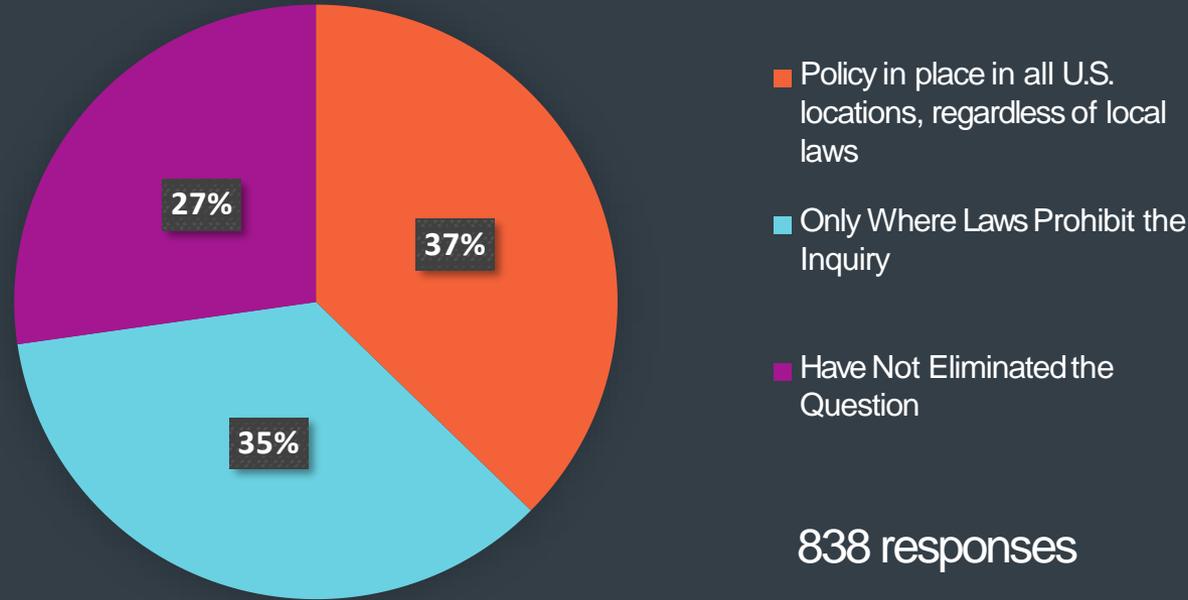
Banning the Use of Salary History in Job Offers Proves Less Difficult than Anticipated

March 20, 2018

“The idea of having to craft a total rewards offer without salary history information can be daunting to some managers and employers. But when hiring managers and recruiters are educated and given reliable compensation data on market rates and pay ranges, the need for a candidate’s salary history diminishes,” said Sue Holloway, CCP, CECP, WorldatWork director of executive compensation strategy. “What we are seeing in practice is that actually eliminating the use of salary history isn’t as challenging as many feared it might be. Implementing a salary history ban requires strong change management direction from employers. It’s a significant shift in how many employers construct compensation offers, but it’s one that can be done.”

“As more cities and states pass laws prohibiting employers from asking job candidates about salary history, more employers are adopting nationwide U.S. policies,” said Holloway. “I’d expect this trend to continue, especially as pressure builds for employers to justify their pay practices and ensure gender pay equity.”

Have you implemented a policy prohibiting hiring managers from asking about salary history?



For those who have not yet eliminated the salary history question, 40% are somewhat likely to adopt this policy across all their U.S. locations within the next 12 months.

44% of employers that have implemented a ban found it very easy to do so. Only 9% reported it to be difficult.

Salary History Bans Across the Country¹⁰

Jurisdiction	Date Enacted	Date in Effect
New York, NY	5/4/2017	10/31/2017
Delaware	6/14/2017	12/14/2017
Albany County, NY	10/10/2017	12/17/2017
California	10/12/2017	1/1/2018 (amended 7/18/18)
Puerto Rico	3/8/2017	3/8/2018
Massachusetts	8/1/2016	7/1/2018
Vermont	5/11/2018	7/1/2018
San Francisco, CA	7/19/2017	7/1/2018
Westchester County, NY	3/12/2018	7/9/2018
Connecticut	5/22/2018	1/1/2019
Hawaii	7/5/2018	1/1/2019
Oregon	6/1/2017	1/1/2019
Suffolk County, NY	11/30/2018	6/30/2019
Philadelphia, PA	12/8/2016	TBD

Color Legend:

State

City/Other Jurisdiction

Will this law make a difference?

What we know

Existing Supporting Evidence



Overview: Surveyed 15,413 PayScale users considering job offers on whether they were asked about salary history during the interview process, and whether they disclosed the information.¹¹

Results:

43% were asked about salary history. Of them, **25%** declined to answer

A woman who is asked and declines is paid **1.8% less** than a woman who discloses

A man who is asked and declines is paid **1.2% more** than a man who discloses

Existing Supporting Evidence

Anchoring Bias

Defined: According to Harvard Law School, anchoring is a well-known cognitive bias that describes the tendency to give too much weight to the first number put forth in a discussion, and then inadequately adjust from that starting point.¹²

Salary Negotiations Study Results:¹³

A candidate's previous salary can serve as an "anchor" in negotiations when other numbers are not discussed or considered

When an employer has a specific salary range in mind, it counteracts the effects of the anchoring

When the employer's range was less defined, the candidate's previous salary (the "anchor") has an effect

Commonly Expressed Concerns

Efficiency¹⁴

Lowballing and Negotiation¹⁵

Ban the Box Studies

Several studies indicate that applicant callback rates¹⁶ and employment rates¹⁷ for black men may decrease as a result of “ban the box” legislation.

Why? It’s suggested that employers are filling in the gap with the negative stereotype that black men are more likely to have a felony record than other candidates.¹⁸

How Do Employers Use Compensation History?¹⁹
To be published in *Journal of Labor Economics* in 2019

How Do Employers Use Compensation History?: Evidence From a Field Experiment

Moshe A. Barach*
University of Minnesota

John J. Horton
NYU Stern

January 10, 2019

Abstract

We report the results of a field experiment in which treated employers could not observe the compensation history of their job applicants. Treated employers responded by evaluating more applicants, and evaluating those applicants more intensively. They also responded by changing what kind of workers they evaluated: treated employers evaluated workers with 5% lower past average wages and hired workers with 13% lower past average wages. Conditional upon bargaining, workers hired by treated employers struck better wage bargains for themselves. Using a structural model of bidding and hiring, we find that the selection effects we observe would also occur in equilibrium.

How Do Employers Use Compensation History?¹⁹
To be published in *Journal of Labor Economics* in 2019

Methodology

Field experiment to observe the absence of compensation history of job applicants for hourly remote-work positions in the online labor market (e.g., remote IT workers, graphic design, etc.)

Researchers created a **treated group** of employers that did not have access to compensation history and the **control group** that had compensation history

Sample size was nearly **6,000 employers** (treated group n= 2,974, control group n=2,948)

How Do Employers Use Compensation History?¹⁹
To be published in *Journal of Labor Economics* in 2019

Results for Treated Group (no access to salary history)

Considered **7% more** applicants

Evaluated applicants **more intensely** (asked more questions)

Called-back applicants had **5% lower** wages than control group

Hired applicants had **13% lower** wages than control group

Treated employers were **more likely** to make a hire

When bargaining occurred, wages in treated group were **9% higher** than in the control group

No evidence that treatment impacted bargaining, or treated employers put more weight on other individual worker productivity signals

How Do Employers Use Compensation History?¹⁹
To be published in *Journal of Labor Economics* in 2019

Impact of Salary History Bans

Researchers concluded that based on their work, ***policy proposals removing compensation history would have the desired effect***. They would help workers with lower wage histories get their foot in the door, and help those workers obtain a better wage bargain, without reducing hiring rates.

Information and the Persistence of the Gender Wage Gap; Early Evidence from California's Salary History Ban²⁰

Information and the Persistence of the Gender Wage Gap; Early Evidence from California's Salary History Ban

Drew McNichols

November 21, 2018

Abstract

Reductions in wage disparities across race and gender have stagnated in the recent decades. Recent popular focus on these inequalities has led to demands for policy interventions to reduce pay gaps. The most recent legislation intended to improve wage equality prohibits employers from asking about previously earned salaries. The intent of this legislation is to redress persistent pay inequalities. Salary history bans (SHBs) have been implemented in varying degrees (public and private) in multiple cities and states. I use a synthetic control approach to measure the impact of a statewide SHB in California. After the passing of a statewide SHB, statewide female-male earnings ratios increased from 0.77 (where they have been stagnant for the last 12 years) to 0.81. Moreover, I find these results are driven by an increase of the earnings ratio in male dominated industries.

Information and the Persistence of the Gender Wage Gap; Early Evidence from California's Salary History Ban²⁰

Methodology

First paper to offer evidence on the causal impact of salary history bans

Reviewed early evidence from **California Salary History Ban** by examining the Basic Monthly Current Population Survey from the National Bureau of Economic Research

Examined the female-male earnings ratio at two periods of time: before the ban went into effect and after

Information and the Persistence of the Gender Wage Gap; Early Evidence from California's Salary History Ban²⁰

Results

Prior to the adoption of the SHB, the female-male earnings ratio was stagnant at 0.77 for twelve years

After the SHB was adopted, the ratio increased to 0.81. This .0298 increase reflects a **10% overall decrease in the gender earnings gap**

In male-dominated industries, the ratio increased by .0579, reflecting a **30% decrease in the gender earnings gap in male-dominated fields**

There is **no evidence** that males or females are systematically entering or exiting the labor market as a result of the ban

Information and the Persistence of the Gender Wage Gap; Early Evidence from California's Salary History Ban²⁰

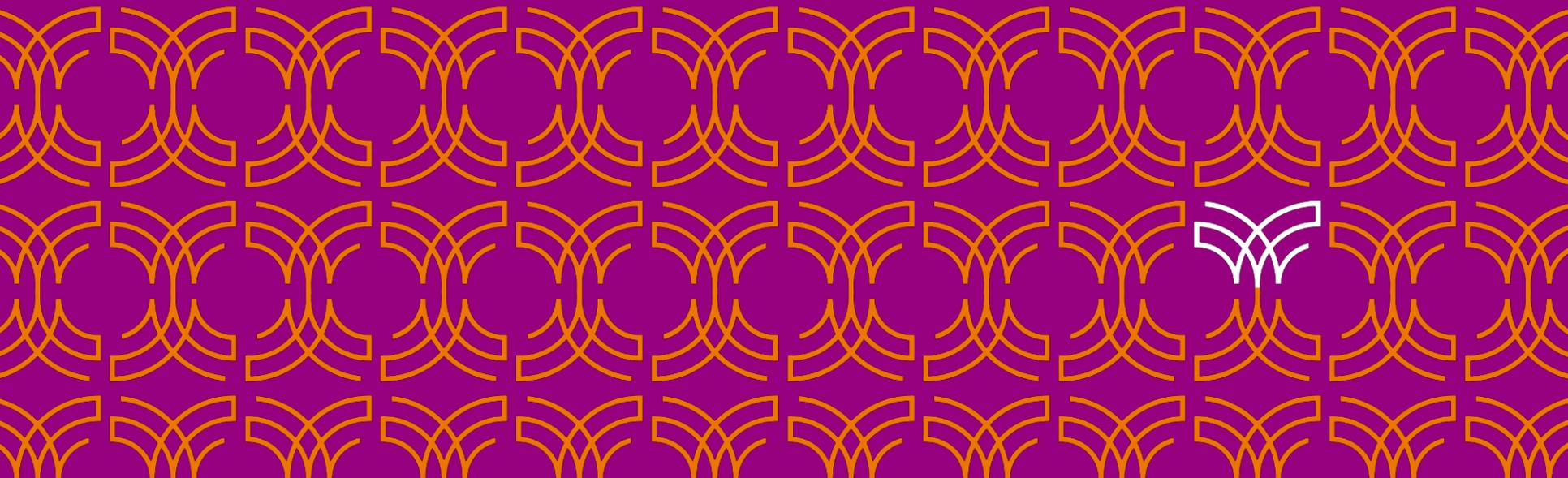
This research on the early effects of California's SHB shows that this policy has the intended result of reducing pay inequities experienced by female employees. The immediate effects of the SHB do not appear to cause an increase in unintended statistical discrimination toward the population for which the policy was designed to help, as in similar labor policies such as ban the box. The effects of California's SHB on the female to male earnings ratio suggests that SHBs may be an effective policy for reducing the gender pay gap.

The pay gap and the salary history question: What we learned

- The gender wage gap is prevalent
- HR experts recognize that reliance on applicant salary history is flawed
- Current research supports existence of gender bias in salary negotiation
- New research directly links removing salary history information to reducing wage disparities



Questions



Notes

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- ⁷ Workplace Justice: The Wage Gap: The Who, How, Why, and What to Do. National Women's Law Center. Fact Sheet. October 2018. <https://nwlc.org/resources/the-wage-gap-the-who-how-why-and-what-to-do/>
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Notes

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- ¹¹ PayScale. (2019). Is asking for salary history... History? Retrieved from: <https://www.payscale.com/data/salary-history>
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