Salary History Ban Research

Prepared for the Equity, Inclusion, Youth, and the Arts Committee | March 12th 2019
The pay gap and the salary history question: What we know

- The pay gap nationally and in the Cincinnati MSA
- 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 Gender Pay Gap Nationally and in the Cincinnati MSA
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
Attributes include: education, experience, age, hours worked, etc.
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PULSE Report: Applying a Gender Lens to the Wage Gap, 2017
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PULSE Report: Applying a Gender Lens to the Wage Gap, 2017
The methodology of this study paired the actual attributes of the female workforce in our MSA (including education, experience, age, hours worked, etc.) with the compensation males receive for these attributes in the workplace.

The results is an “adjusted female” wage.

PULSE Report: Applying a Gender Lens to the Wage Gap, 2017
Mean Hourly Wages by Gender

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>$10.00</th>
<th>$15.00</th>
<th>$20.00</th>
<th>$25.00</th>
<th>$30.00</th>
<th>$35.00</th>
<th>$40.00</th>
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<td>High School and Below</td>
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<td>$2.83</td>
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<td></td>
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<tr>
<td>Some College</td>
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<td></td>
<td>$3.21</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Bachelor's Degree</td>
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<td></td>
<td></td>
<td>$6.21</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Advanced Degree</td>
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<td></td>
<td></td>
<td></td>
<td>$6.41</td>
<td></td>
<td></td>
</tr>
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- **Female**
- **Adj. Female**
- **Male**

PULSE Report: Applying a Gender Lens to the Wage Gap, 2017†
Mean Hourly Wages by Race

<table>
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<tr>
<th>Race</th>
<th>$10.00</th>
<th>$15.00</th>
<th>$20.00</th>
<th>$25.00</th>
<th>$30.00</th>
<th>$35.00</th>
<th>$40.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3.00</td>
<td></td>
<td></td>
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<tr>
<td>Person of Color</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1.27</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

- **High School or Below**: Male - $143,816, Actual Female - $143,816, Adj. Females - $143,816
- **Some College**: Male - $241,011, Actual Female - $241,011, Adj. Females - $241,011
- **Average, All Data**: Male - $327,953, Actual Female - $327,953, Adj. Females - $327,953
- **Bachelor’s Degree**: Male - $481,252, Actual Female - $481,252, Adj. Females - $481,252
- **Advanced Degree**: Male - $614,723, Actual Female - $614,723, Adj. Females - $614,723

PULSE Report: Applying a Gender Lens to the Wage Gap, 2017
How the salary history question is used

The Human Resources Perspective
And 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.
• **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.

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**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
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.
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.”
WorldatWork, March 2018 survey

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

- Policy in place in all U.S. locations, regardless of local laws: 37%
- Only Where Laws Prohibit the Inquiry: 27%
- Have Not Eliminated the Question: 35%

838 responses
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 Country

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

Color Legend:  
State                  City/Other Jurisdiction
Will this law make a difference?

What we know
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.\textsuperscript{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.\(^\text{12}\)

**Salary Negotiations Study Results:**\(^\text{13}\)

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

Efficiency\textsuperscript{14}

Lowballing and Negotiation\textsuperscript{15}

Ban the Box Studies
Several studies indicate that applicant callback rates\textsuperscript{16} and employment rates\textsuperscript{17} 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.\textsuperscript{18}
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.
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)
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
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 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 Ban

**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
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.
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


Notes

10 Salary History Bans: A running list of states and localities that have outlawed pay history. HR Dive (February 6, 2019). https://www.hrdivide.com/news/salary-history-ban-states-list/516662/


16 Id.


