



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



# *Salary History Ban*

## *Research*

Prepared for the Equity, Inclusion, Youth, and the Arts Committee | March 12<sup>th</sup> 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



# 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**.<sup>1</sup>

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**.<sup>2</sup>

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

Attributes  
include:  
education,  
experience,  
age, hours  
worked, etc.

|    |    |
|----|----|
| A1 | \$ |
| A2 | \$ |
| A3 | \$ |
| A4 | \$ |
| A5 | \$ |

|    |    |
|----|----|
| A1 | \$ |
| A2 | \$ |
| A3 | \$ |
| A4 | \$ |
| A5 | \$ |

Attributes  
include:  
education,  
experience,  
age, hours  
worked, etc.

A1

A2

A3

A4

A5

A1

\$

A2

\$

A3

\$

A4

\$

A5

\$

\$

\$

\$

\$

\$

Attributes  
include:  
education,  
experience,  
age, hours  
worked, etc.

A1  
A2  
A3  
A4  
A5

\$  
\$  
\$  
\$  
\$

|    |    |
|----|----|
| A1 | \$ |
| A2 | \$ |
| A3 | \$ |
| A4 | \$ |
| A5 | \$ |

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

A1  
A2  
A3  
A4  
A5

\$  
\$  
\$  
\$  
\$

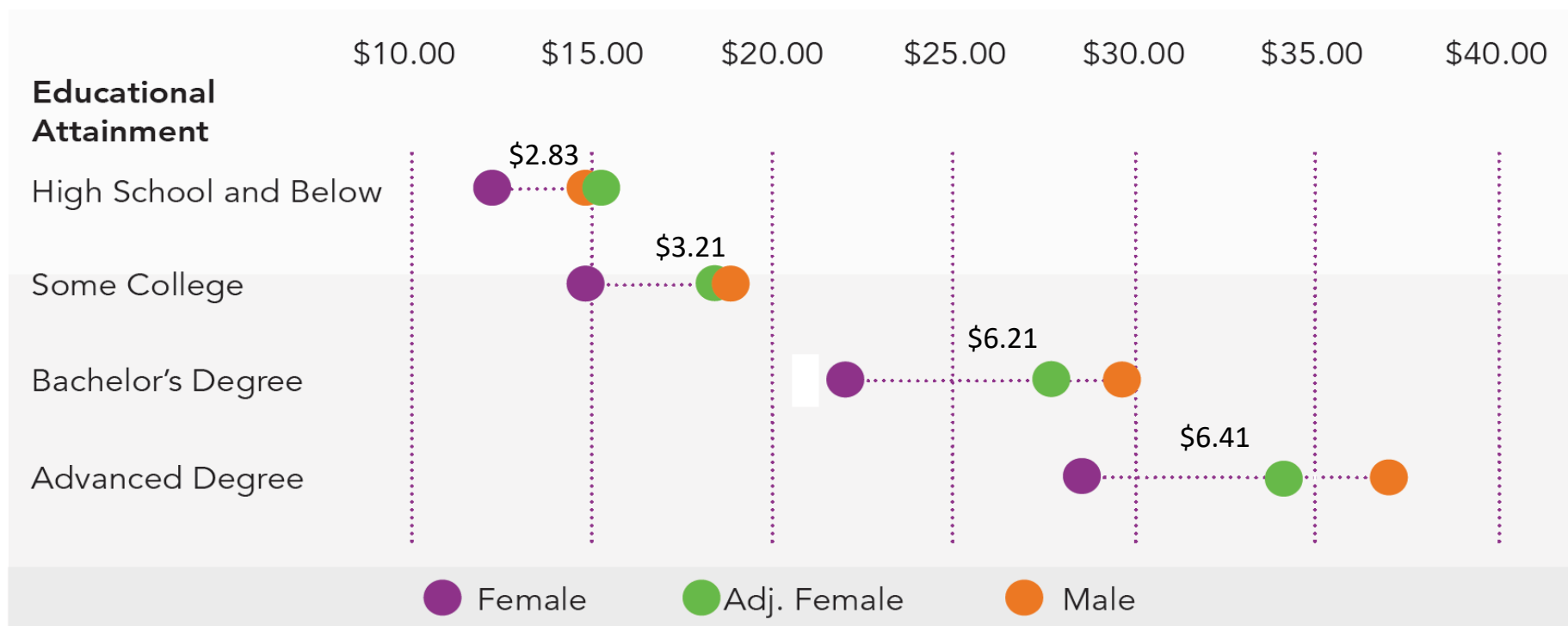
A1  
A2  
A3  
A4  
A5

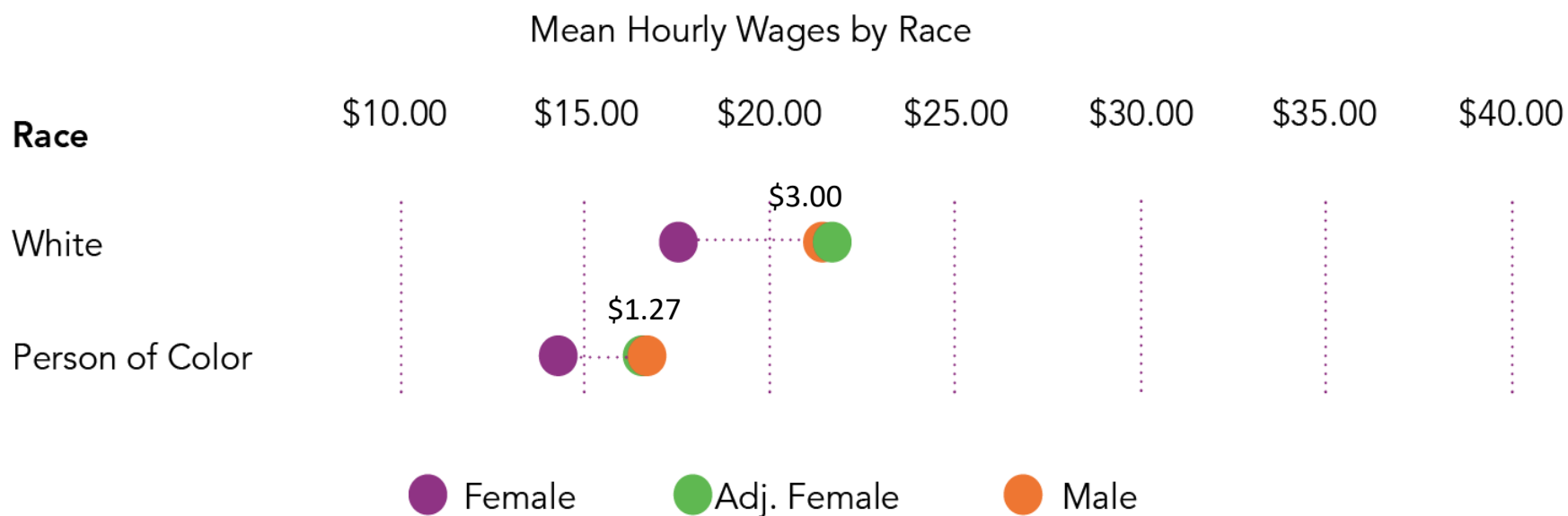
\$  
\$  
\$  
\$  
\$

= Adjusted female



### Mean Hourly Wages by Gender



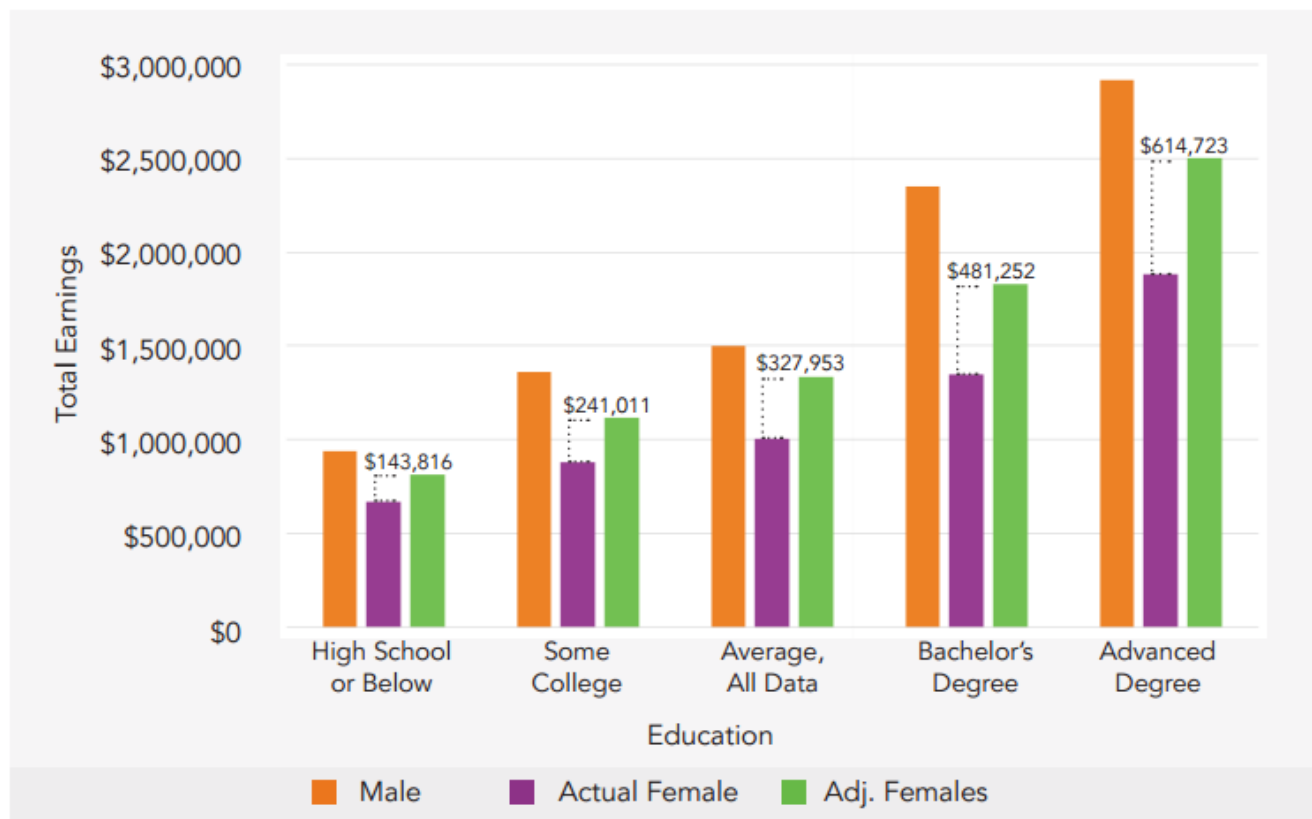




# WOMEN'S FUND

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, 2018<sup>5</sup>

“**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.

**L**ike 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 Statement<sup>6</sup>

### 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.<sup>7</sup>

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

# *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.*

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

WorldatWork , March 2018 survey<sup>2</sup>

**WorldatWork**

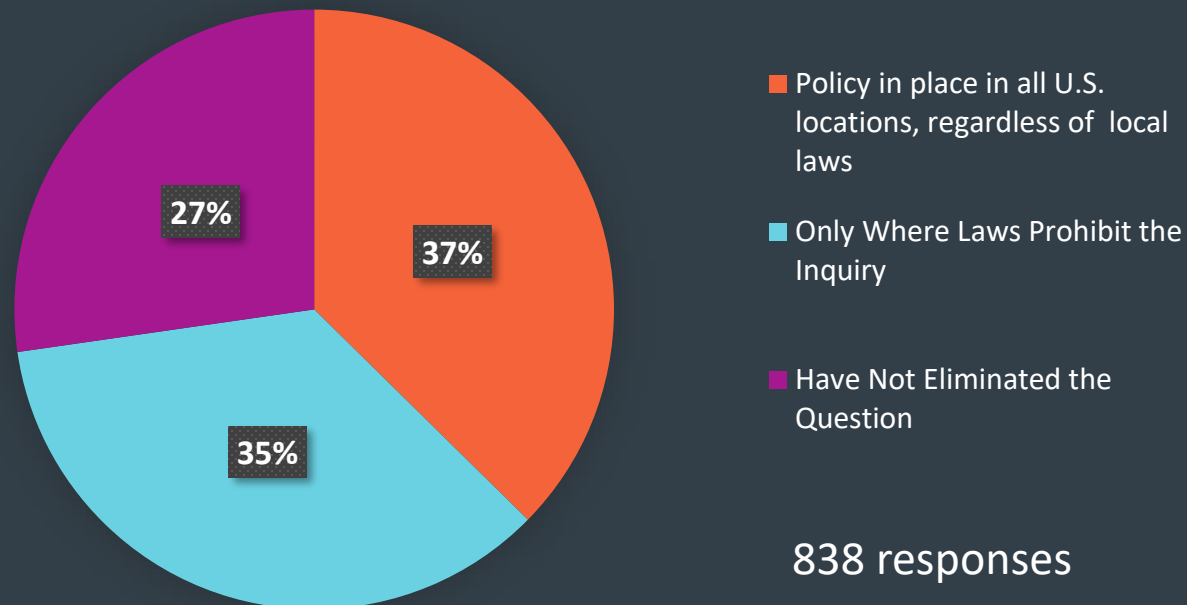
## Banning the Use of Salary History in Job Offers Proves Less Difficult than Anticipated

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 Country<sup>10</sup>*

| 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



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

# *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.<sup>11</sup>

## **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.<sup>12</sup>

### **Salary Negotiations Study Results:**<sup>13</sup>

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<sup>14</sup>**

**Lowballing and Negotiation<sup>15</sup>**

## **Ban the Box Studies**

Several studies indicate that applicant callback rates<sup>16</sup> and employment rates<sup>17</sup> 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.<sup>18</sup>

How Do Employers Use Compensation History?<sup>19</sup>  
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?<sup>19</sup>

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?<sup>19</sup>  
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?<sup>19</sup>  
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 Ban<sup>20</sup>

## 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<sup>20</sup>

## 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 Ban<sup>20</sup>

### 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 Ban<sup>20</sup>

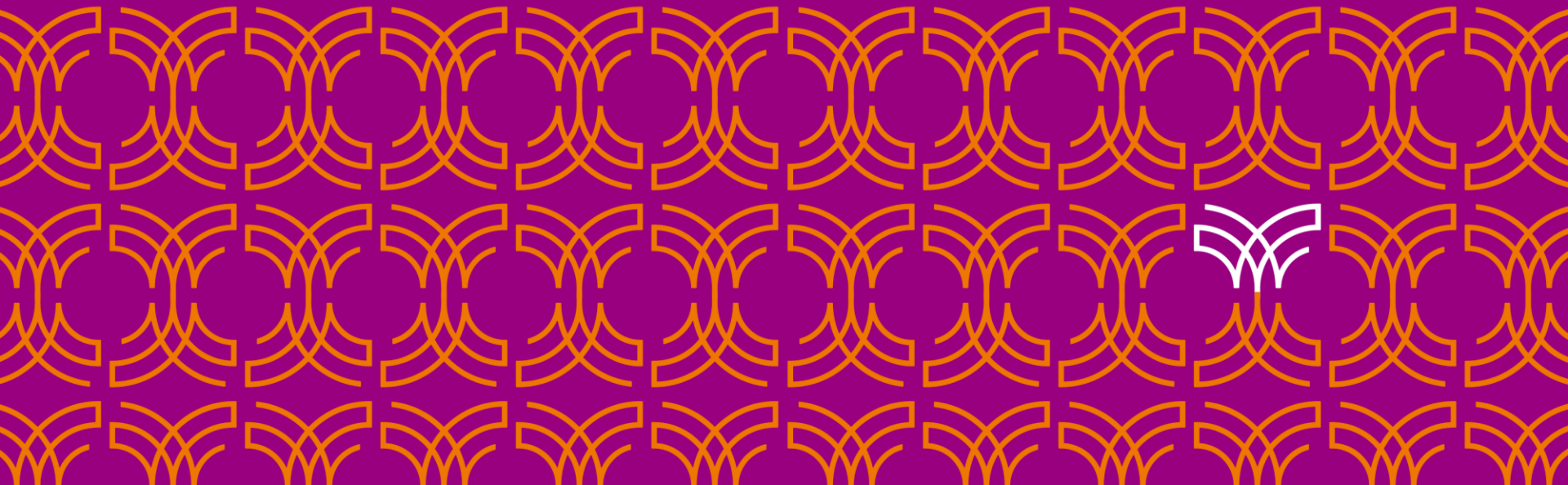
This research on the early effects of California's SHB shows that this policy has the intended result of reducing pay inequities experienced by female employees. The immediate effects of the SHB do not appear to cause an increase in unintended statistical discrimination toward the population for which 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

- <sup>1</sup> Workplace Justice: Women Experience a Wage Gap in Nearly Every Occupation. National Women's Law Center. Fact Sheet. April 2018. <https://nwlc.org/resources/women-experience-and-wage-gap-in-nearly-every-occupation/>
- <sup>2</sup> 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/>
- <sup>3</sup> UN Women. (2019). Equal pay for work of equal value. Retrieved from: <http://www.unwomen.org/en/news/in-focus/csw61/equal-pay>
- <sup>4</sup> Pulse Report: Applying a Gender Lens to the Wage Gap. The Women's Fund of the Greater Cincinnati Foundation (April 24, 2017). [https://www.gcfdn.org/Portals/o/Uploads/Documents/WF\\_PULSE\\_REPORT\\_Applying\\_a\\_Gender\\_Lens\\_to\\_the\\_Wage\\_Gap.pdf](https://www.gcfdn.org/Portals/o/Uploads/Documents/WF_PULSE_REPORT_Applying_a_Gender_Lens_to_the_Wage_Gap.pdf)
- <sup>5</sup> Milligan, S. (2018). Salary history bans could reshape pay negotiations. *Society for Human Resource Management*. Retrieved from: <https://www.shrm.org/hr-today/news/hr-magazine/0318/pages/salary-history-bans-could-reshape-pay-negotiations.aspx>
- <sup>6</sup> Compensation Equity: Public Policy Issue Statement. Society for Human Resource Management. April 2018. [https://www.shrm.org/hr-today/public-policy/hr-public-policy-issues/Documents/018CompPrincipleStatement.Final.04.10.18.pdf?\\_ga=2.117171662.976594671.1523285247-2009563368.1521131016](https://www.shrm.org/hr-today/public-policy/hr-public-policy-issues/Documents/018CompPrincipleStatement.Final.04.10.18.pdf?_ga=2.117171662.976594671.1523285247-2009563368.1521131016)
- <sup>7</sup> 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/>
- <sup>8</sup> Corbett, C. & Hill, C. (2012). Graduating to a pay gap: The earnings of women and men one year after college graduation. *American Association of University Women*: 1-64. <https://www.aauw.org/files/2013/02/graduating-to-a-pay-gap-the-earnings-of-women-and-men-one-year-after-college-graduation.pdf>
- <sup>9</sup> Maurer, R. (2018). Employers spilt on asking about salary history. *Society for Human Resource Management*. Retrieved from: <https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/employers-split-asking-salary-history.aspx>

# Notes

- <sup>10</sup> Salary History Bans: A running list of states and localities that have outlawed pay history. HR Dive (February 6, 2019). <https://www.hrdiver.com/news/salary-history-ban-states-list/516662/>
- <sup>11</sup> PayScale. (2019). Is asking for salary history... History? Retrieved from: <https://www.payscale.com/data/salary-history>
- <sup>12</sup> Shonk, K. (2019). What is anchoring in negotiation? *Harvard Law School*. Retrieved from: <https://www.pon.harvard.edu/daily/negotiation-skills-daily/what-is-anchoring-in-negotiation/>
- <sup>13</sup> Thorsteinson, T.J. (2011). Initiating salary discussions with an extreme request: Anchoring effects on initial salary offers. *Journal of Applied Social Psychology*, 41, 7: 1774-1792. <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1559-1816.2011.00779.x>
- <sup>14</sup> John Feldmann. Banning the Salary History Ban: The Pros and Cons for Employer and Applicant. Forbes Human Resource Council (August 21, 2018). <https://www.forbes.com/sites/forbeshumanresourcescouncil/2018/08/21/banning-the-salary-history-ban-the-pros-and-cons-for-employer-and-applicant/#3139b5bb4fco>
- <sup>15</sup> Noam Scheiber, If a Law Bars Asking Your Past Salary, Does It Help or Hurt? The New York Times (February 16, 2018). <https://www.nytimes.com/2018/02/16/business/economy/salary-history-laws.html>
- <sup>16</sup> *Id.*
- <sup>17</sup> Dolseac, J. & Hansen, B. (2016). Does “Ban the Box” Help or Hurt Low-Skilled Workers? Statistical Discrimination and Employment Outcomes when Criminal Histories are Hidden. Working Paper. *National Bureau of Economic Research*. <https://www.nber.org/papers/w22469.pdf>
- <sup>18</sup> Agan, A. & Starr, S. (2017). Ban the box, criminal records and racial discrimination: A field experiment. *The Quarterly Journal of Economics*: 191-235. <https://academic.oup.com/qje/article-abstract/133/1/191/4060073?redirectedFrom=fulltext>
- <sup>19</sup> Barach, M.A. & Horton, J.J. (2019). How do employers use compensation history: Evidence from a field experiment. *Journal of Labor Economic, Under Review*. Retrieved from: <https://moshebarach.com/>
- <sup>20</sup> McNichols, D. (2018) Information and the Persistence of the Gender Wage Gap; Early Evidence from California’s Salary History Ban. Unpublished. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3277664](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3277664)