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Salary Range Transparency Reduces Gender Wage Gaps

When an employer doesn't provide job applicants or employees information about the pay for positions, women lose out. Disclosing the salary or salary range for a position levels the negotiating playing field and helps employees detect and remedy unjustified pay disparities.¹ Transparency around salary ranges also provides companies with an opportunity to proactively review and evaluate their compensation practices and address any unjustified disparities between employees. Because of this, more and more states are requiring employers to be transparent about salary ranges.

Research shows that salary range transparency helps close wage gaps

Women and people of color have long faced bias, which shows up in discriminatory pay and hiring practices by individual employers and a market that devalues jobs predominantly held by women.² Secrecy around pay allows this devaluation of women's work to often go unchecked and bias and wage gaps to grow.³

Closing the gender wage gap has motivated recent legislative actions to promote workplace pay transparency, such as protection from retaliation for discussing pay with co-workers. However, putting the onus on individual workers to collect information and negotiate to fix pay discrepancies will always be an incomplete solution.

Research shows that pay negotiations are notoriously unfavorable to women: Employers tend to perceive women negatively and as greedy and aggressive when they negotiate. Consequently, women's negotiations are less likely to be met with higher pay and promotions;⁴ perhaps relatedly, some research shows that women often ask for less when they negotiate than men.⁵ Women may also tend to ask for less because it is a common practice for job applicants to ask for an amount that is a 10 to 20 percent increase over their prior salary.⁶ Given that women and people of color are typically paid less than white, non-Hispanic men in the same occupations,⁷ they would have to request a particularly large percentage increase over their current pay for their request to be on par with their white, non-Hispanic male counterparts.⁸

Fortunately, studies show that when job applicants are clearly informed about the context for negotiations, including the types of compensation, benefits, or conditions that are negotiable, or the typical pay for the position, gender differences in negotiation outcomes diminish, which could help narrow gender wage gaps.⁹ Providing applicants with a salary range that the employer is willing to pay helps level the negotiating playing field by giving applicants important information that can inform an opening offer that is less tied to their previous pay levels or personal identity.

Importantly, being required to post salary ranges also prompts employers to proactively review and evaluate their compensation practices and address any unjustified disparities between employees.

Salary range information also helps current employees evaluate whether they are being paid fairly and work with their employers to resolve pay disparities or, if an employer refuses to pay market rate, to seek new job opportunities that pay fairly. Women benefit from this as women not only tend to be underpaid at their job, but they are also often less likely to move for a better job and thus less likely to do market checks and find out what their position is actually worth.¹⁰

An emerging line of research points to a reduction in gender pay gaps and increased wages for women after states and/or employers have enacted pay transparency policies, including policies banning employers from relying on an applicant's salary history to set pay—a policy that has been shown to incentivize more employers to post wages in job announcements.¹¹ In addition, a recent study of Colorado's new salary range transparency law also found that posted salaries increased by about 3.6 percent on average following the new law, suggesting that greater transparency spurs more worker-friendly pay.¹²

The much narrower wage gap in the public sector – where agencies typically have transparent and public pay structures – is further evidence that greater pay transparency helps reduce wage disparities. Nationally, the gender wage gap for all full-time, year-round workers, based on median earnings, is 16 percent,¹³ but in the federal government, where pay rates are publicly available, women were typically paid 93 to 94 cents for every dollar earned by their male counterparts.¹⁴ Union members also experience a narrower gender wage gap compared to non-union members likely in part because unions help to ensure transparency around wages, including greater access to and control over information about salaries, and set pay scales.¹⁵

A growing number of employers are transparent about salary ranges to attract talent, but too many still practice pay secrecy

In the wake of the COVID-19 pandemic, more employers have begun to include salary ranges in their job postings, as doing so helps them attract talent and stay competitive.¹⁶ Indeed, according to a recent Glassdoor survey, nearly 2 in 3 employees prefer to work at a company that discloses pay information over one that does not.¹⁷ In certain industries hit hardest by the pandemic, like fast-food and restaurant industries, the rate of increase of employers posting salary ranges is significant and promising for the employees in those sectors, who are disproportionately women and low-paid.¹⁸

Transparency about salary ranges also helps employers avoid wasting time interviewing someone who would not accept the position because the salary is too low. And pay transparency promotes employee trust, loyalty and productivity, which is good for employers' bottom line.¹⁹

Unfortunately, many employers, especially in the private sector, are still not transparent about how much a position pays. Various reports have found that only about 12% to 27% of employers share salary ranges with applicants, employees, or both.²⁰ Even if they haven't established formal pay ranges for particular roles, employers usually budget a general amount or range for the position for which they are hiring. Salary range transparency laws simply ask employers to share that information with applicants. Already, according to a PayScale survey, 86% of surveyed employers²¹ have a compensation structure in place or are working to develop one and around 68% of respondents stated they share their salary ranges with current employees,²² demonstrating that salary range transparency is possible.

States are leading the way in requiring salary range transparency

A growing number of states have passed or proposed laws and adopted executive orders requiring salary range transparency. In recent years, states have proposed two main methods to promote salary range transparency.

STATES AND LOCALITIES ARE INCREASINGLY REQUIRING EMPLOYERS TO INCLUDE SALARY RANGES IN JOB POSTINGS

Several states across the country are requiring employers

to include salary ranges in job postings. In 2019, **Colorado** became the first state to require all employers hiring at least one employee in the state to include the actual hourly or salary compensation or range for the position and a description of benefits in every job posting.²³ The law also requires an employer to make reasonable efforts to announce, post, or otherwise make known to all current employees all opportunities for promotion.

The momentum continues to build. In 2022:

- **California** passed a law that requires employers with 15 or more employees must include the pay scale for a position in any job posting. The new law also requires employers to provide the pay scale for the position the employee currently holds, upon request.²⁴ If the employer with 15 or more employees is advertising the job through a third party, then the employer must provide the pay scale to the third party, who must then include it in the job posting. The new law also requires employers to provide the pay scale for the position the employee currently holds, upon request. Under a 2017 law, employers of all sizes were already required to provide applicants with the pay scale for a position when they request it. The bill is currently awaiting the Governor's signature.
- **New York** passed a law that requires employers with four or more employees and employment agencies to disclose the compensation or a range of compensation and job description when advertising a job, promotion, or transfer opportunity that can or will be performed, at least in part, in New York. Employers may not refuse to interview, hire, promote, employ or otherwise retaliate against an applicant or current employee for exercising any rights under the law.²⁵ The bill is currently awaiting the Governor's signature.
- **Washington** passed a law requiring employers with 15 or more employees to include salary ranges on their job postings, as well as a general description of benefits.²⁶ The new requirement built on Washington's 2019 law requiring employers to provide the salary range for a position to employees offered an internal transfer, if the employee requests it, and is scheduled to go into effect on January 1, 2023.
- **New York City** enacted an ordinance requiring employers with more than four employees to include a salary range for every job, promotion, and transfer opportunity advertised if the job can be or will be performed in New

York City.²⁷ The ordinance will go into effect in November 2022.²⁸

- The **County Board of Westchester** passed an ordinance requiring employers with four or more employees to post a minimum and maximum for each job, promotion, or transfer opportunity advertised. The salary range must reflect the amount, at the time of the posting, the employer in good faith believes it would pay.²⁹
- **Ithaca, New York** passed an ordinance that requires employers with four or more employees "whose standard work locations" are in Ithaca to post minimum and maximum hourly or salary compensation.³⁰
- **Jersey City, New Jersey's** ordinance requires employers with five or more employees within Jersey City to post minimum and maximum salary or hourly wages that it believes will pay at the time of posting for notices of employment opportunities, transfers, or promotions.³¹

ADDITIONAL STATES REQUIRE EMPLOYERS TO PROVIDE THE SALARY RANGE AT SOME POINT IN THE HIRING PROCESS OR EMPLOYEE'S TENURE

- In 2021, **Nevada** passed a law requiring employers to affirmatively provide the salary range to an applicant who has completed an interview for a position and to an employee who has applied and interviewed for a transfer or promotion and requested the salary range.³²
- In 2021, **Rhode Island** legislature passed legislation requiring all employers to disclose salary ranges to an applicant upon an applicant's request or prior to discussing compensation and to an employee at the time of hire, when the employee moves into a new position, and upon request during their employment.³³
- In 2021, **Connecticut** passed its bill that requires employers to disclose salary ranges to an applicant before an offer of pay is made or at the applicant's request, whichever is earlier; to an employee upon hire and at least annually thereafter; and upon an employee's request.³⁴
- In 2020, **Maryland** passed a law requiring all employers to provide an applicant with the salary range for a position upon request.³⁵
- In 2020, **Toledo, Ohio** passed an ordinance that requires employers to provide an applicant with the salary range

for a position upon request.³⁶

- In 2019, **Cincinnati, Ohio** passed an ordinance requiring employers within the city with 15 or more employees to provide an applicant with the salary range, if the applicant has been given a conditional offer of employment for the position and upon request.³⁷
- In 2018, **California** became the first state to require some level of salary range transparency by passing legislation requiring all employers to provide a salary range to job applicants who request it.³⁸

Many other states, from New York to Virginia to Missouri, have been working to pass salary range transparency requirements, understanding their pivotal role in promoting equal pay. Progress has also been initiated at the executive level with the **Montana** governor in 2016 issuing an executive order providing incentives for state contractors to include salary ranges in employment listings.³⁹

We all have much to gain from pay transparency. Transparency around salary ranges is a crucial and quickly growing tool for leveling the playing field for negotiating pay and to ensuring that women are paid a fair salary based on what the job is worth.

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