Pay Range Transparency Is Critical for Driving Pay Equity

When an employer doesn’t provide job applicants or employees information about the pay for open job positions, women lose out. The outdated practice of keeping pay secret allows discrimination and unjustified pay gaps to flourish and keeps employees from trusting they are paid fairly.

On the other hand, disclosing the pay or pay range for a position may help close gender wage gaps. Pay range transparency gives job applicants crucial information that can help them negotiate for higher pay or make more informed choices about which jobs to go after. Transparency around pay ranges also provides businesses with an opportunity and strong incentive to proactively review and evaluate their compensation practices and address unjustified disparities between employees, while helping them attract and retain talent. Because of this, more and more states are requiring employers to be transparent about pay ranges in job announcements.

Pay range transparency is crucial for closing wage gaps

Women and people of color face bias at work, which shows up in discriminatory pay and hiring practices and a market that devalues jobs predominantly held by women—and especially devalues jobs that women of color are most likely to hold. Secrecy around pay allows these gender and race disparities to often go unchecked and bias and wage gaps to grow.

The need to close race and gender wage gaps has motivated recent legislative actions to promote workplace pay transparency. Some states have passed laws to protect workers who discuss pay with their colleagues from retaliation. While these laws are critically important, putting the onus on individual workers to share and collect pay information will always be an incomplete solution. Pay range transparency laws, however, help ensure that all workers can access pay information.

One way that pay range transparency helps women workers is by helping to change negotiating dynamics. Research shows that pay negotiations are notoriously unfavorable to women, especially women of color: Women who negotiate pay tend to get turned down more often and end up with less than men who negotiate. Employers are also more likely to perceive women who negotiate negatively and as aggressive.
When employers negotiate without giving pay range information to job applicants, applicants are more likely to rely on their past pay as a negotiation reference point, which perpetuates existing pay gaps. Given that women and people of color are typically paid less than white, non-Hispanic men in the same occupations, 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. Indeed, a recent study found that women of color state dramatically lower minimum salary requirements than white men, white women, and men of color.

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. Providing applicants with a pay 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.

Importantly, requiring employers to post pay ranges in job announcements that both new applicants and current employees will see prompts employers to proactively review and evaluate their compensation practices and address any unjustified disparities between employees. And employees who know how much their employer and other employers are offering to pay candidates applying for jobs requiring the same level of skill and experience will also be better able to evaluate whether they are being paid fairly in their current jobs. Finally, pay range transparency gives employees important new information that can allow them to come together to advocate for fair pay in their workplaces.

States that have enacted laws prohibiting employers from relying on a job applicant’s salary history to set pay have seen a reduction in gender pay gaps and increased wages for women. Existing research suggests that these gains resulted, at least in part, because a prohibition on reliance on salary history incentivizes more employers to post wages in job announcements. Research also suggests that public pay range transparency may help raise wages for low-paid workers in particular, as employers gain more information about the market value of the job and adjust their pay to attract talent. In addition, a study of Colorado’s pay range transparency law, which was enacted in 2019 and took effect in January 2021, 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.

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, women who work full time, year-round are paid 84 cents for every dollar paid to their male counterparts, but in the federal government, where pay rates are publicly available, women were paid 94 cents for every dollar paid to their male counterparts. Union members also experience a narrower gender wage gap compared to nonunion 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.

Workers are demanding pay transparency

Workers deserve more. And many are imagining a new type of workplace—one in which employers no longer have a monopoly over information related to pay. A Monster.com survey found that nearly all workers (98%) believe companies should include pay ranges in job postings. Additionally, a study from the Society for Human Resources Management (SHRM) found that 82% of U.S. workers are more likely to consider applying to a job if the pay range was listed in the job posting; 74% of U.S. workers say that they are less interested in applying to job postings that do not list a pay range; and 73% of U.S. workers are more likely to trust organizations that provide pay ranges in job postings than ones that do not.

Two separate surveys from Robert Half, a human resources consulting firm, and Glassdoor.com found that workers in all generations surveyed (Gen Z, Millennials, Gen X, and Baby Boomers) value pay transparency in their workplaces. Robert Half’s survey found that workers consider lack of pay transparency to be one of the top reasons they would withdraw from being considered for an open role. Glassdoor found that workers list pay transparency as an important factor in feeling included in the workplace. A number of surveys have shown that Gen Z, the newest generation to enter the workforce, demonstrates the greatest desire for pay transparency, with some surveys showing that anywhere from 53% to 85% of Gen Zs say they are less likely to apply for a job if the company does not disclose the pay range in the job posting.
Women of color seem to be placing particular importance on pay range transparency. Reboot Representation, a tech industry coalition funded by Melinda French Gates’ Pivotal Ventures, surveyed over 2,000 Black, Latina, and Native American women and found that the women listed increasing access to information, including salary ranges, had one of the most outsized impacts on their ability to join, stay, or advance at a company.19 The women surveyed also reported that employers could increase the representation of Black, Latina, and Native American women in tech if they share salary ranges, which could attract these underrepresented groups to join, advance, or stay with their employers.

A growing number of employers are transparent about pay ranges to their benefit, but too many still practice pay secrecy

Many employers are taking notice of the growing demand for pay range transparency and have begun to share pay ranges. In certain industries hit hardest by the pandemic, like fast-food and restaurant industries, the rate of increase of employers posting pay ranges is significant and promising for the employees in those sectors, who are disproportionately women and low-paid.20 Hiring Lab found that on their website, the share of job postings with pay transparency has nearly tripled since February 2020 nationwide and theorized that the share is likely to grow.21

Many employers who are sharing pay ranges have benefitted in the following ways:

- **EFFICIENCY GAINS:** Transparency about pay ranges helps employers avoid wasting time interviewing someone who would not accept the position because the pay doesn’t align with their expectations.

- **BETTER EMPLOYEE RETENTION:** Pay range transparency promotes employee trust and loyalty,22 which is good for employers’ bottom line. A recent survey found that the perception of pay transparency in the workplace decreases intent to leave by 30%, which may suggest that pay transparency can also help retain employees.23

- **INCREASED QUALIFIED CANDIDATES:** A study by SHRM shows that 70% of organizations that list pay ranges on job postings experienced more people applying to their postings and 66% saw an increase in the quality of job applicants.24 65% of organizations also said sharing pay ranges on job postings makes them more competitive in attracting top talent.

- **OTHER BUSINESS BENEFITS:** Research also shows that including pay ranges in job postings helps reduce online recruiting costs because it reduces the cost-per-click (total clicks per job divided by the cost to promote it).25 Two academic studies suggest that pay transparency increases employee productivity; if employees are aware of how their pay compares to that of their colleagues, they may be compelled to work harder, thus benefiting employers with greater productivity.26

- **SMALL BUSINESS BENEFITS:** In Maryland, Well-Paid Maids, a local business, testified in front of the state Senate Finance Committee that they share pay rates for all posted job opportunities.27 Efficiency gains from posting pay ranges are particularly important to small business because they often don’t have a human resources team and thus can’t waste time considering and interviewing candidates for whom the salary doesn’t align with their expectations.

Perhaps for these reasons, SHRM found that even when not required by law, 67% of HR professionals say their organization voluntarily lists starting pay in their job postings sometimes, often, or always.28

Colorado, the first state to pass a salary range transparency law, saw a high compliance rate among its 50 largest employers right after the law’s passage and nearly two years later, continues to enjoy high rates of compliance. 99% of companies who were sent a notice of noncompliance have come into compliance just after receiving the notice.29

Employers usually budget a general amount or range for the position for which they are hiring. Pay range transparency laws simply ask employers to share that information with applicants.

However, there are many employers across the country that still are not transparent about how much a position pays. For example, Hiring Lab found that while pay range transparency rates are rising overall, the growth has been uneven across state lines and geographic regions.30
States are leading the way in requiring pay range transparency

An ever-growing list of states have passed or proposed laws and adopted executive orders requiring pay range transparency. As a result, as of March 2023, nearly 44.8 million people in the labor force, including 21 million women, were covered by pay range transparency laws. In recent years, states have proposed two main methods to promote pay 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 pay ranges in job postings.

- **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. 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. In 2023, Colorado amended its law to clarify that employers must disclose in good faith the pay range and a general description of benefits and other compensation for the job opportunity. The newest amendment aims to prevent bad-faith employers from posting wide, meaningless ranges that hinder workers from getting useful pay information.

- **California** passed a law that requires employers with 15 or more employees to include the pay scale for a position in any job posting. If the employer 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 of a position to the employee currently holding the position, upon request. Under a 2017 law, California also became the first state to require employers of all sizes to provide job applicants with the pay scale for a position when applicants request it.

- **Hawaii** passed a pay range transparency bill that requires employers with 50 or more employees to include an hourly rate or a salary range in job listings. The employer must share a range that reasonably reflects the expected compensation.

- **Illinois** amended its equal pay law to require employers with 15 or more employees to include a pay range and a general description of benefits and other compensation in their job listings. If an employer does not post a position, the bill requires employers to disclose the pay range and a general description of benefits and other compensation to a job applicant before discussing pay and at the applicant’s request. The bill also requires employers to share opportunities for promotion to all current employees within 14 days of the employer making an external posting of the position.

- **New York** passed a law that requires both employers with four or more employees and employment agencies to disclose the pay range and job description when advertising a job, promotion, or transfer opportunity. Employers may not refuse to interview, hire, promote, employ, or otherwise retaliate against a job applicant or current employee for exercising any rights under the law.

- **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. This expands on the state’s 2019 law requiring employers to provide the salary range for a position to employees offered an internal transfer to a new position or promotion, if the employee requests it.

- **Washington, D.C.** passed a law that requires employers to include minimum and maximum projected salary or hourly pay in all job listings and position descriptions advertised. If the employer does not share the minimum and maximum projected salary or hourly pay, the prospective employee may ask for it.

- **Ithaca, N.Y.** 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.

- **Jersey City, N.J.** adopted an ordinance that requires employers with five or more employees within Jersey City to post minimum and maximum salary or hourly wages that they believe will pay at the time of posting for notices of employment opportunities, transfers, or promotions.

- **New York City, N.Y.** 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.
- **Westchester County, N.Y.** passed an ordinance requiring employers with four or more employees to post a minimum and maximum salary range for each job, promotion, or transfer opportunity advertised. The pay range must reflect the amount, at the time of the posting, the employer in good faith believes it would pay.45

**ADDITIONAL STATES AND CITIES REQUIRE EMPLOYERS TO PROVIDE THE PAY RANGE AT SOME POINT IN THE HIRING PROCESS OR THE EMPLOYEE’S TENURE.**

Since 2021, many jurisdictions have taken action:

- **Connecticut** 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.46

- **Maryland** requires all employers to provide an applicant with the salary range for a position upon request.47

- **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.48

- **Rhode Island** 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.49

- **Cincinnati, OH** passed an ordinance requiring employers 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.50

- **Toledo, OH** passed an ordinance that requires employers to provide an applicant with the salary range for a position upon request.51

Many other states, like **Maine** and **Georgia**, have been working to pass pay range transparency requirements, understanding their pivotal role in promoting equal pay.52 Progress has also occurred 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.53

We all have much to gain from pay range transparency, which is vital to driving pay equity.
transparency became education, it's 53% lower.

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