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Prohibit Salary Seeking Information Job Applicant (HB18-1377)

Testimony to the House Finance Committee

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Thank you for the opportunity to present this testimony.

I'm Natalie Wood and I'm a senior policy analyst at the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

The Bell Policy Center supports HB18-1377, which makes it a discriminatory or unfair employment practice for an employer to seek job applicant information about prior compensation and benefits unless the applicant offers to discuss that information or the employer posts a salary range. This bill codifies best practices that lead to equal pay for equal work.

Many governments at the state and local level are acting, some with bipartisan support, to level the playing field for workers by precluding questions about prior wages or salary in the hiring process.ⁱ These laws are prompting large national employers to preemptively change their hiring practices. Policies that focus on a job's worth, versus an applicant's salary history, have been implemented by companies like Amazon,ⁱⁱ Facebook,ⁱⁱⁱ and Google. In announcing its revised policy, Amazon stated it was taking a "proactive stance" to prohibit salary history questions because of these new laws. Still, a recent survey found only five percent of employers say it's already existing practice not to ask about a candidate's pay history.^{iv}

Studies show providing a previous salary as the first step in an employment negotiation has an "anchoring effect," whereby presenting an initial value skews later judgment toward it.^v Other research has shown that women, more so than men, are less likely to engage in negotiations and are less likely to perceive a situation as negotiable. When they do negotiate, they are often penalized or viewed unfavorably.^{vi} For Coloradans who are affected by a wage gap, these factors can ripple throughout the course of their careers. If a woman is underpaid at one job, the effects of that experience can stay with her as she applies for future positions if employers consider it when determining a future salary.

A gender wage gap persists in Colorado. Lower and lost earnings make it harder for women to provide education, child care and basic support for children, save for home ownership and build assets for retirement.^{vii} They also result in less tax revenue. Policies that contribute to pay equity can reduce poverty, increase economic development and decrease reliance on state services.^{viii}

A ban on questions about salary history doesn't solely benefit female workers experiencing a pay gap. It has potential to help other types of workers too. One in five Coloradans will be over age 65 by 2030, and more older adults will want or need to remain in the workforce.

Employment law experts have theorized that older workers can benefit from a ban on prior salary questions.^{ix} Workers who may be looking to scale back to a less demanding job, or who are willing to work for less, could be dismissed as candidates because employers think they won't be happy working for less. Eliminating implicit bias and increasing transparency in hiring are important standards to create as Colorado prepares for an older, more diverse workforce.

Removing previous salary as a benchmark in salary negotiations allows the focus to be placed on internal equity (the value of a job to a particular workplace) and external equity (the value of a job to the marketplace). When potential employees are aware of an employer's ideas about this equity, in the form of salary ranges, it can create more efficiency for the applicant and the employer. This will benefit Colorado job applicants and Colorado employers who want to attract talented, qualified candidates.

We thank Representatives Pettersen and Coleman for bringing this bill to you today and thank the committee for the opportunity to share our thoughts with you.

If you have any questions, or if I can provide further information, please contact me at (303) 297-0456 or wood@bellpolicy.org.

ⁱHartman, M. "The old salary history question could be on its way out for good." Marketplace. October 2017.

ⁱⁱO'Donovan C. "Amazon Won't Ask Prospective Hires For Salary History Anymore." BuzzFeed News. January 2018.

ⁱⁱⁱBerman-Gorvine, M. "Tech Giants Stop Asking for Salary History, Everywhere in U.S." Bloomberg News. December 2017.

^{iv}McGregor, J. "Those bans on asking about salary history? Most employers don't think they'll work." Washington Post. November 2017.

^vThorsteinson, T. (2011). Initiating Salary Discussions With an Extreme Request: Anchoring Effects on Initial Salary Offers¹. *Journal of Applied Social Psychology*, 41 (7), 1774-1792.

^{vi}Bowles, Hannah Riley, Linda Babcock, and Lei Lai. 2007. "Social Incentives for Gender Differences in the Propensity to Initiate Negotiations: Sometimes it Does Hurt to Ask."

^{vii}Arons, J. "Lifetime Losses: The Career Wage Gap." The Center for American Progress Action Fund. December, 2008.

^{viii}The Colorado Pay Equity Commission, *Fulfilling the Promise: Closing the Pay Gap for Women and Minorities in Colorado*, March 2008.

^{ix}McGregor, J. "Those bans on asking about salary history? Most employers don't think they'll work." Washington Post. November 2017.