



The Bell Policy Center

Prohibit Seeking Salary History for Job Applicants

House Bill 16-1166

Testimony to the House Business Affairs and Labor Committee
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Madame chair, members of the committee, thank you for the opportunity to be here today.

I am Natalie O'Donnell Wood, a senior policy analyst with the Bell Policy Center. The Bell is a non-partisan, nonprofit research and advocacy organization founded on progressive values and dedicated to making Colorado a state of opportunity for all.

The Bell Policy Center supports HB 16-1166, which makes it a discriminatory or unfair employment practice for an employer to seek salary history information about prior compensation and benefits from an applicant for employment. By prohibiting employers from seeking prior salary information, this bill would codify a hiring practice aimed at ensuring wage equality.

As outlined in the bill, a wage gap persists nationally, and it persists in our state. 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.¹ They also result in less tax revenue. Policies that contribute to or create pay equity can reduce poverty, increase economic development and decrease reliance on state services.²

With HB 16-1166, Colorado joins several other states in considering state action that precludes employers from asking job candidates about salary history. Policies that focus on a job's worth, versus an applicant's salary history, are being encouraged at workplaces such as Google and the federal government.³ According to the Office of Personnel Management (OPM), "reliance on existing salary to set pay could potentially adversely affect a candidate who is returning to the workplace after having taken extended time off from his or her career or for whom an existing rate of pay is not reflective of the candidate's current qualifications or existing labor market conditions."⁴

Studies have shown that 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.⁵ Other research has shown that women are less likely to perceive a situation as negotiable. When they do negotiate, they are penalized or viewed unfavorably.⁶ For Coloradans

who are affected by a wage gap, these factors can create a ripple effect 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.

By removing previous salary as a benchmark in salary negotiations, focus can 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). This will benefit Colorado job applicants and Colorado employers who want to attract talented, qualified candidates.

We thank Representatives Pettersen and Winter 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

¹ Arons, J. "Lifetime Losses: The Career Wage Gap." The Center for American Progress Action Fund. December, 2008.

² The Colorado Pay Equity Commission, *Fulfilling the Promise: Closing the Pay Gap for Women and Minorities in Colorado*, March 2008.

³ Miller, Clare Cain. "How to Bridge that Stubborn Pay Gap," New York Times, January 17, 2016.

⁴ Cobert, Beth. "Additional Guidance on Advance Pay Equality in the Federal Government." U.S. Office of Personnel Management, July 30, 2015.

⁵ Thorsteinson, T. (2011). Initiating Salary Discussions with an Extreme Request: Anchoring Effects on Initial Salary Offers. *Journal of Applied Social Psychology*, 41 (7), 1774-1792

⁶ 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." *Organizational Behavior and Human Decision Processes*. 103: 84-103