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Testimony Of
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In SUPPORT Of Legislative Document (L.D.) 936
Before the Maine Committee of Labor and Housing

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Thank you for the opportunity to submit this testimony on behalf of the National Women's Law Center. NWLC has been working since 1972 to help women and families achieve economic security. We work closely with state policymakers across the country to strengthen laws for closing gender and racial pay gaps. Pay transparency laws, like Legislative Document 936, have been identified as a leading tool for closing gender and racial pay gaps.

In recent years, Maine has taken a critical step towards helping employers de-bias their pay-setting practices by prohibiting employers from asking job applicants for their salary history. By requiring employers to include pay ranges in job announcements, L.D. 936 will build on this progress and give employers and employees a tool to help close gender and racial wage gaps and more efficiently and effectively recruit and retain talent.

A rapidly growing chorus of states and localities have passed and/or implemented laws specifically requiring pay ranges to be included in job postings: **Washington, Colorado, New York, California**, New York City, Ithaca, NY; Westchester County, NY; and Jersey City, NJ. Four more states—**Nevada, Maryland, Connecticut, and Rhode Island**—require employers to provide pay ranges at some point in the hiring process. Connecticut, Rhode Island, and California have also required employers to provide pay ranges to employees during their tenure. This year, nearly twenty states are considering pay range transparency legislation.

I. Pay range transparency helps close gender and racial pay gaps

We all want to feel confident that we are being paid fairly. But when an employer doesn't provide job applicants the pay range for positions, women lose out. For example, research shows that pay negotiations are notoriously unfavorable to women: Women who negotiate are perceived as greedy and not team players; in addition, because women are typically coming from roles where they are paid less, women often ask for less than their equally qualified male counterparts.¹

For women of color who, on average, experience the largest wage gaps, research shows that they often state dramatically lower minimum salary requirements than white men, white women, and men of color.ⁱⁱ

Fortunately, research shows that when job applicants are clearly informed about the context for negotiations, including the pay range, gender gaps in negotiations diminish, which could help narrow gender pay gaps.ⁱⁱⁱ Being required to post pay ranges in job announcements also prompts employers to proactively review and evaluate their compensation practices and address any unjustified disparities between employees.

Likewise, secrecy about pay masks and perpetuates gender pay gaps for employees. Providing employees with compensation information helps employees evaluate whether they are being paid fairly and work with their employers to resolve pay disparities.

A growing line of research points to a reduction in gender pay gaps and increased pay for women after states and/or employers have enacted pay transparency policies.^{iv} Research also suggests that pay range transparency helps raise wages for low-paid workers.^v The much narrower pay gaps in unionized and public sector positions where pay structures are typically transparent provide further evidence that greater pay transparency helps reduce pay disparities.^{vi}

II. Businesses—small and large alike—have found that including pay ranges in job announcements helps attract and retain talent and save time and costs in hiring

More and more employers have begun to include pay ranges in their job postings as it becomes starkly clear that doing so is crucial to **attracting talent**.^{vii} A recent survey by the Society of Human Resource Management found that 70% of organizations that list pay ranges on job postings say that doing so has led to more people applying to their postings, nearly two-thirds (66%) found an increase in the quality of applicants, and 65% stated that doing so makes them more competitive in attracting top talent.^{viii}

Pay range transparency is especially crucial for attracting Gen Z talent. Adobe's Future Workforce Study of upcoming college seniors and recent college grads revealed 85% of those surveyed are less likely to apply for a job if the company does not disclose the salary range in the job posting.^{ix} Moreover, survey after survey has shown that an overwhelming majority of job candidates prefer to work at a company that discloses pay information and almost all candidates believe an employer should disclose pay ranges in job announcements.^x Pay transparency is also shown to promote employee trust, loyalty, and productivity, which helps **retain talent** and is good for employers' bottom line.^{xi} Also, by leveling the negotiating playing field, pay range transparency helps employers avoid gender and racial wage gaps from arising to begin with and thus avoid liability.

Including pay ranges in job announcements also helps employers avoid wasting time culling and interviewing candidates who would not accept the position because the pay does not meet their expectations. Research shows that it also helps **reduce online recruiting costs**.^{xii}

We've heard from **small businesses** that don't have an HR team that it is crucial for them to include pay ranges in job postings given that they have limited resources and time available to hire. Not surprisingly, research shows that **small businesses already tend to share their pay ranges**.^{xiii} Smaller businesses also appreciate when pay range transparency laws require employers to provide a “general description of benefits and other compensation to be offered” as it allows them to give a fuller picture of what they can offer beyond pay. Given the benefits for small business, and the ease of compliance—just be transparent about what you are generally hoping and willing to pay—it is important that this law applies to all employers, regardless of size.

Colorado, the first state to pass a pay 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 even higher rates of compliance.^{xiv} A study analyzing the impact of Colorado's salary range transparency law found that, on average, the state experienced a greater increase in its labor force participation rate than Utah, a neighboring state with similar economic and demographic characteristics.^{xv}

Unfortunately, many employers, especially in the private sector, are still not transparent about how much a position pays. Even if an employer doesn't have formal pay ranges for particular roles, 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. Already, according to a PayScale survey, 86% of surveyed employers 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,^{xvi} demonstrating that pay range transparency is possible.

III. Conclusion

We urge the members of this Committee to show up for Maine businesses and working people by supporting L.D. 936.

ⁱ Artz, B., Goodall, A. H., & Oswald, A. J. 2018. “Do Women Ask?” *Industrial Relations* 57(4): 611-636. <https://onlinelibrary.wiley.com/doi/abs/10.1111/irel.12214>; Hannah Riley Bowles, Linda Babcock, and Lei Lai, “Social Incentives for Gender Differences in the Propensity to Initiate Negotiations: Sometimes It Does Hurt to Ask,” *Organizational Behavior and Human Decision Processes*, 2007, available at <https://www.sciencedirect.com/science/article/abs/pii/S0749597806000884>; Marcus Dittrich, Andreas Knabe, and Kristina Leipold, “Gender Differences in Experimental Negotiations,” February 25, 2014, available at <https://onlinelibrary.wiley.com/doi/abs/10.1111/ecin.12060>; Anna Dreber, Emma Heikensten, and Jenny Save-Soderbergh, “Why Do Women Ask for Less?,” November 20, 2020, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3703813; Jenny Save-Soderbergh, “Gender Gaps in Salary Negotiations: Salary Requests and Starting Salaries in the Field,” May 2019, available at <https://www.sciencedirect.com/science/article/abs/pii/S0167268119300290>.

ⁱⁱ The Wage Gap, State by State, <https://nwlc.org/resource/wage-gap-state-by-state/>; Women Of Color Set Lower Salary Requirements Than White Men, According To Job Search Site,

<https://www.forbes.com/sites/kimlæsser/2023/02/06/women-of-color-set-lower-salary-requirements-than-white-men-according-to-job-search-site/>

ⁱⁱⁱ Andreas Leibbrandt and John A. List, “Do Women Avoid Salary Negotiations? Evidence From A Large-Scale Natural Field Experiment,” National Bureau of Economic Research, November 2012 available at <https://www.nber.org/papers/w18511>; see, e.g., Maria Recalde and Lise Vesterlund, “Gender Differences in Negotiation and Policy for Improvement,” National Bureau of Economic Research, December 2020, available at <https://www.nber.org/papers/w28183>; Hannah Riley Bowles, Bobbi Thomason, and Immaculada Macias-Alonso, “When Gender Matters in Organizational Negotiations,” 2022, available <https://www.annualreviews.org/doi/epdf/10.1146/annurev-orgpsych-012420-055523>; see Jennifer E. Dannals et. al., “The Dynamics of Gender and Alternatives in Negotiation,” 2021, available at <https://psycnet.apa.org/record/2021-03654-001>

^{iv} Sourav Sinha, “Salary History Ban: Gender Pay Gap and Spillover Effects,” 2019, available at <https://doi.org/10.2139/ssrn.3458194>; James E. Bessen, Chen Meng, and Erich Denk, “Perpetuating Inequality: What Salary History Bans Reveal About Wages,” June 2020, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3628729.

^v Zoe Cullen, “Is Pay Transparency Good?” 2023, <https://www.hbs.edu/faculty/Pages/item.aspx?num=63443>;

^{vi} “Gender Pay Differences: The Pay Gap for Federal Workers Has Continued to Narrow, but Better Quality Data on Promotions Are Needed,” U.S. Government Accountability Office, December 3, 2020, available at <https://www.gao.gov/products/gao-21-67>; “Unions are Good for Women,” National Women’s Law Center, July 2021, available at <https://nwlc.org/wp-content/uploads/2021/07/Union-Factsheet-9.8.21.pdf>

^{vii} Roy Maurer, “More Employers Post Salary Ranges to Attract Workers,” Society for Human Resource Management (SHRM), August 16, 2021, available at <https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/salary-ranges-.aspx> ; “It Pays to be Transparent,” <https://recruitemonics.com/it-pays-to-be-transparent/>; ResumeBuilder.com, 1 in 20 Workers Will Quit if Transparency Laws Reveal They are Paid Less Than Co-Workers (Jan. 2023), <https://www.resumebuilder.com/1-in-20-workers-will-quit-if-transparency-laws-reveal-they-are-paid-less-than-co-workers/#:~:text=Log%20In-.1%20in%2020%20workers%20will%20quit%20if%20transparency%20laws%20reveal,paid%20less%20than%20c%20workers&text=Starting%20Tuesday%2C%20November%208th%2C%20NYC.any%20printed%20or%20online%20posting>; Monster.com, Monster Poll: Workers Want Pay Transparency (Nov. 2022), <https://hiring.monster.com/resources/blog/workers-want-pay-transparency/>.

^{viii} “New SHRM Research Shows Pay Transparency Makes Organizations More Competitive, Leads to Increase in Qualified Applicants,” Society for Human Resource Management, March 14, 2023, available at <https://www.shrm.org/about-shrm/press-room/press-releases/pages/new-shrm-research-shows-pay-transparency-makes-organizations-more-competitive-leads-to-increase-in-qualified-applicants-.aspx>.

^{ix} Vaishali Sabhahit, Adobe’s Future Workforce Study Reveals What Gen Z is Looking for in the Workplace (Jan. 2023), <https://blog.adobe.com/en/publish/2023/01/24/adobes-future-workforce-study-reveals-what-next-generation-workforce-looking-for-in-workplace>.

^x New York City helps kick off ‘wave of pay transparency legislation’ as workers demand full salary disclosure, CNBC, October 2022, <https://www.cnn.com/2022/10/26/workers-overwhelmingly-support-pay-transparency.html> ; Glassdoor Economic Research, 85% of Employed Women Believe They Deserve a Pay Raise; More Salary Transparency Can Help (March 2022), <https://www.glassdoor.com/research/pay-transparency-survey-2022/>; Visier, Pay Transparency: Should Salary Be a Secret? (2022), <https://www.visier.com/lp/pay-transparency/> (68% of those surveyed would switch employers for greater pay transparency, even if compensation was the same).

^{xi} PayScale, available at <https://www.payscale.com/content/whitepaper/Pay-Transparency-Closing-Gender-Wage-Gap.pdf>; Marcel Schwantes, “New Report: Pay Transparency May Be the Key to Keeping Your Employees in 2021,” Inc.com, February 11, 2021, available at <https://www.inc.com/marcel-schwantes/new-report-pay-transparency-may-be-key-to-keeping-your-employees-in-2021.html>; see Deborah Thompson Eisenberg, “Money, Sex and Sunshine: A Market-Based Approach to Pay Discrimination,” 2011, available at https://digitalcommons.law.umaryland.edu/cgi/viewcontent.cgi?article=2093&context=fac_pubs

^{xii} Sam Kuhn, Recruitonics, “It Pays to be Transparent,” Nov. 2022 <https://recruitemonics.com/it-pays-to-be-transparent/>

^{xiii} David Arnold, et. al., “The Impact of Pay Transparency in Job Postings on the Labor Market,” August 12, 2022, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4186234

^{xiv} “Equal Pay for Equal Work: What the Colorado Law Means for Employers,” Colorado Dept. of Labor,

[https://cdle.colorado.gov/sites/cdle/files/documents/Equal Pay for Equal Work Fact Sheet Web 0.pdf](https://cdle.colorado.gov/sites/cdle/files/documents/Equal_Pay_for_Equal_Work_Fact_Sheet_Web_0.pdf); HR Brew, “How Colorado’s Equal Pay for Equal Work Act has affected HR teams,” Sept. 2022, <https://www.hr-brew.com/stories/2022/09/15/how-colorado-s-equal-pay-for-equal-work-act-has-affected-hr-teams>.

^{xv} Sam Kuhn, Recruitonomics, “Does Colorado’s Pay Transparency Law Help Recruiters?” August 2022, <https://recruitonomics.com/does-colorados-pay-transparency-law-help-recruiters/>

^{xvi} “2022 Compensation Best Practices Report,” PayScale.com, available at <https://www.payscale.com/content/report/2022-compensation-best-practices-report.pdf>