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# Salary History Bans Reduce Racial And Gender Wage Gaps; Every CEO Should Use Them



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Here is one immediate step that states, cities, and companies can take to help close the racial, as ...

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Protests have spread across the U.S. over the past weeks highlighting the pervasiveness of racial inequality in America; however, “an imbalance of societal power cannot be separated from cradle-to-grave economic inequality,” as Tara Siegel Bernard and Ron Lieber [argued](#) in *The New York Times*. “Economic equality is crucial to racial equality.”

As corporations and municipalities struggle to translate anger over discrimination and support for the Black Lives Matter movement into actual change, it's crucial that they identify and commit to concrete actions. "It's important that individual employers have a reckoning as it relates to pay and equality by race, ethnicity and gender, but it's going to require broader and more systemic changes to really bring it down," Valerie Wilson, director of the Economic Policy Institute's Program on Race, Ethnicity, and the Economy, [told CNBC](#) recently.

Here is one immediate step that every CEO and every company can take immediately to help close the racial, as well as the gender, pay gap: institute salary history bans.

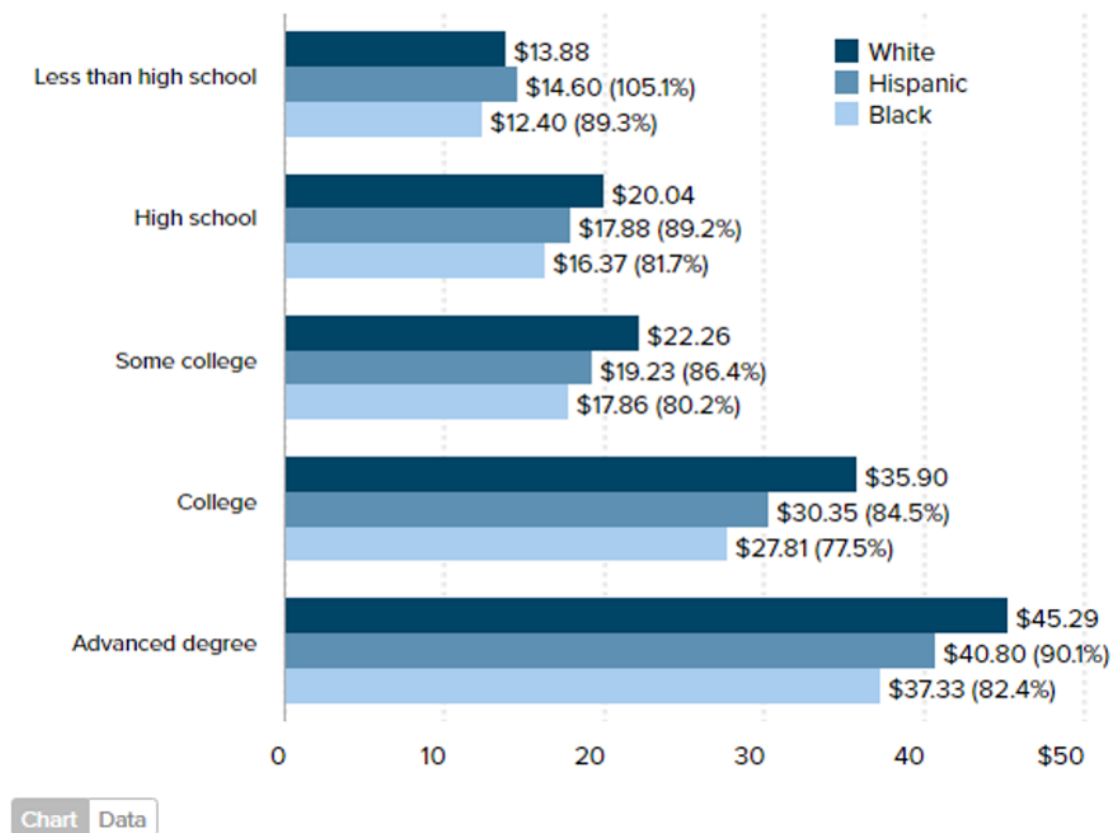
## **Overview of Black/White And Men/Women Wage Gap**

### **Racial Wage Gap**

The racial pay gap is well-documented and persistent. According to [data](#) from the Economic Policy Institute, Black workers "have been losing ground since 2000, with larger [B]lack-white wage gaps across the entire distribution of earnings." For example, Black wages at the median in 2019 were only 75.6 percent of white wages, a 3.6 percent increase from 2000, when Black wages at the median were 79.2 percent of white wages. Even when looking at wages by education level, Blacks are paid less than whites. Blacks with advanced degrees are paid 82.4 cents for each dollar earned by whites with an advanced degree.

## On average, white workers are paid more than black and Hispanic workers at nearly every education level

Average hourly wages, by race/ethnicity and education, 2019



**Source:** Author's analysis of EPI Current Population Survey Extracts, Version 1.0 (2020), <https://microdata.epi.org>

Economic Policy Institute

Black workers are paid less than white workers across nearly all education levels ECONOMIC POLICY INSTITUTE

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## Gender Wage Gap

Similarly, the gender pay gap has been persistent, despite concerted efforts to address it. [According](#) to the Economic Policy Institute (EPI), the gender

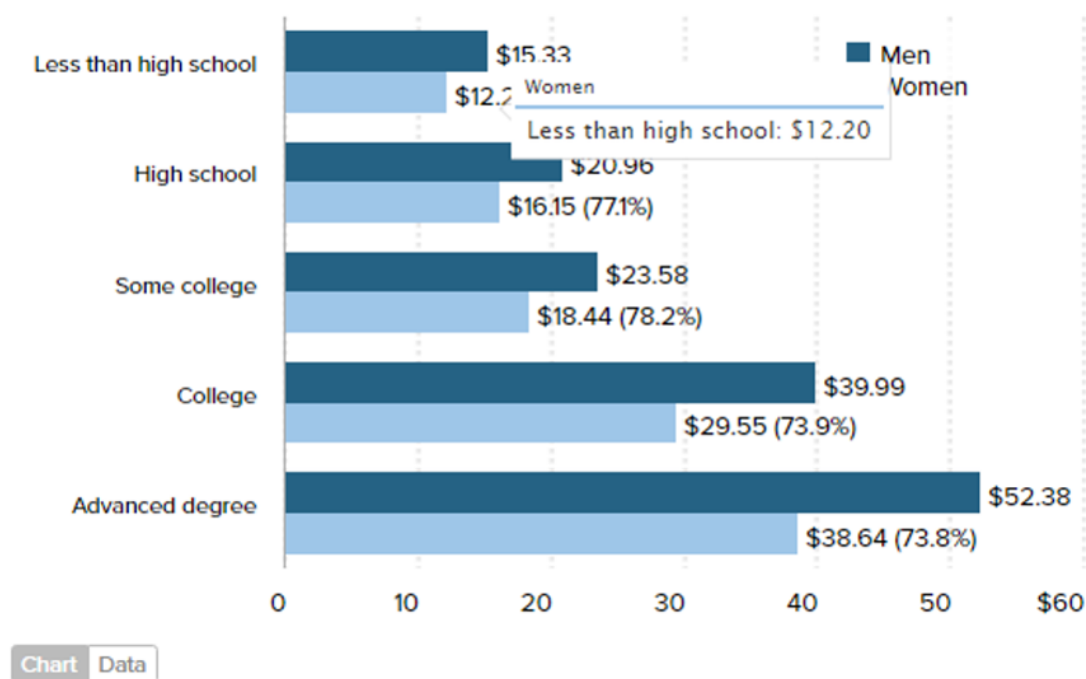
wage gap continues to shrink, but in 2019, it still meant that women earned only 85 cents for every dollar men earn.

Educational attainment has grown faster for women than for men.

“Unfortunately, increasing educational attainment has not insulated women from large gender wage gaps,” [said](#) the EPI. “The average wage for a man with a college degree was higher in 2019 than the average wage for a woman with an advanced degree,” by 3.5 percent.

## On average, men are paid more than women at every education level

Average hourly wages by gender and education, 2019



**Source:** EPI analysis of Current Population Survey Outgoing Rotation Group microdata from the U.S. Census Bureau

Economic Policy Institute

Men are paid more than women, on average, at every education level, signifying a persistent gender ...

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## Salary History Bans Started in 2016

In 2016, Massachusetts enacted the first ban, preventing employers from asking job candidates about their salary history. Since then [18 other states](#), [as well as many cities](#), have implemented salary history bans. The goal of

these bans is to prevent initial wage disparities from multiplying as individuals move from one job to another. “Employers should be hiring and paying potential employees for the experience and qualifications they have,” [said](#) New Jersey Senator Loretta Weinberg in discussing the law that New Jersey enacted. “Knowing how much they were paid in the past is irrelevant and often times leads to a cycle of pay inequity. By eliminating inquiries of salary history, we can help curb wage discrimination based not only on gender, but also race, age and other characteristics,” Weinberg [added](#).

While each state’s bill is slightly different in terms of the scope of employers covered and the explicit intent, the overall goal is to prevent employers from anchoring salary offers on previous salaries and unintentionally perpetuating the wage gap.

## **Salary History Bans Are Effective:**

In a recently released [working paper](#), researchers at Boston University found that, following the implementation of salary history bans (SHB), pay for job switchers increased by 5 percent more than for comparable job changers. Moreover, they [found](#) even larger benefits for Black and female job switchers, who saw pay increases of 13 percent and 8 percent, respectively. “Salary histories appear to account for much of the persistence of residual wage gaps,” the authors [note](#). “For women and African-Americans, the pay increases following an SHB represent a sizeable portion of the residual wage gap measured for job-changing employees, suggesting that most of this gap is not related to productivity differences between workers.

Moreover, using statistical tools, including a differences-in-differences design (DDD), the authors controlled for other potential variables to disentangle the effect that SHBs had from other variables that might also affect wages. Additionally, they created a control group of counties not covered by SHBs, but that were in the labor market or commuting zone to “assuage concerns about selection into SHB laws and unobserved heterogeneity.”

The study's authors [note](#) that wage gaps may not be caused by individual and overt discrimination, but that “salary histories enable a form of institutional discrimination. Even if employers do not individually discriminate, the use of salary histories appears to perpetuate the effects of past discrimination or other group inequities.”

## Conclusion

Asking about a candidate's previous salary can perpetuate inequality, especially for Black and female job seekers. Salary history bans appear to be an effective legislative tool to help eliminate this inequity. It would be wonderful to see the remaining 31 states who have not enacted these bans take them up and quickly draft appropriate legislation. In the meantime, there is nothing preventing individual CEO's from instituting a salary history ban at their companies. It would be a concrete action that they could take instead of simply making statements and virtue signaling.

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