

THE BUSINESS CASE FOR FAIR COMPENSATION AND INITIAL SALARY

Best practices to reduce pay inequality in Oregon



By evaluating men, women and people of color using the same criteria, businesses can create greater opportunities for their workforce and all who seek to join it.

When women simply accept an initial salary offer — or when employers respond differently to salary negotiations by prospective male and female candidates — organizations will continue to experience pay disparities in the workplace.



The business case

Studies have shown that most women simply accept an employer's initial salary offer, whereas most men ask for more, a dynamic that creates pay disparities in the workplace. Indeed, according to some estimates, only 7 percent of women attempt to negotiate higher initial compensation, compared to 57 percent of men did – more than eight times the rate at which women sought higher than offered initial pay.¹

Equally troublesome is how many employers respond differently to salary negotiation efforts by prospective male and female workers. When employers credit men for being “assertive” or a “go getter”² but consider women who ask for more “overbearing” or “pushy,” the effect creates an environment where men pull ahead of women in earnings, assignments and promotions from the time they enter the job market.

The phenomenon feeds the gender pay gap across the economy, but also hurts individual businesses and organizations as well. Businesses that want to attract and retain top talent should proactively address the problem so that valued workers do not simply quit for better opportunities elsewhere.

Salary history

Hiring managers often sift through thousands of applications and resumes to find a suitable applicant, and may use salary histories to find a candidate who fits a position's pay range. Will employers want to tie a candidate's salary offer to what he or she earned in the past? More and more, employers are using previous salary information to figure out what an applicant will accept. Why offer \$10,000 more per year than this applicant will take to do the job?

The practice puts the applicant at a distinct disadvantage in salary negotiations, and perpetuates gender-based pay disparity. If women

have historically been paid less, basing an offer on what someone earned historically can compound the problem.

The danger for employers is the potential to ignore the inherent value of the applicant and the contributions he or she may bring to the team, previous compensation notwithstanding. Beyond that, employers can make the same determination by posting a salary range for the position or asking the candidate about salary expectations rather than history.

Best practices

Transparency in compensation systems makes it easier for employers to defend their pay practices.

- Establishing pay ranges not just for an individual job, but for classifications of positions that require similar skills, knowledge, experience and qualifications will help to ensure fair and consistent employee compensation. Posting the salary ranges of open positions allows applicants to decide whether they wish to pursue a position given the stated salary range.
- Allowing employees to discuss wages paid by the employer is not only a sound business practice but it is also required under the law. The Oregon Pay Transparency Act (HB 2007) prohibits retaliation against employees who discuss wages with their colleagues.
- Pay attention to the different rates men and women are paid and the rates at which men and women ask for and are provided advantages and opportunities. Don't assume that the person requesting the assignment (often male) wants it the most or will be most up to the task--An equally or better qualified woman might be just as interested and motivated. If a man asks for a raise but a woman of comparable talent does not, consider giving the raise to both of them or neither of them.

- Develop detailed and transparent systems to evaluate whether opportunities are being distributed evenly and fairly across gender lines.
- Ambiguity facilitates the potential for gender effects and stereotyping. Transparency has the opposite impact. If there is a legitimate, non-discriminatory reason for paying a woman less than a man, document and be prepared to defend the reasons why.
- Undertake a periodic review of compensation levels. Eliminating disparity is an ongoing process, not a one-time event.

Employers that are committed to fair workplaces should make employment and compensation decisions based on merit and skill. By evaluating men, women and people of color using the same criteria, businesses can create greater opportunities for their workforce and all who seek to join it.

Notes

- 1 Nice Girls Don't Ask, Harvard Business Review, October, 2003
- 2 Lean Out: The Dangers for Women Who

**Need additional assistance?
Contact BOLI's Technical
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Val Hoyle, Commissioner

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