



Harvard Business Review

REPRINT H05QTB
PUBLISHED ON HBR.ORG
JULY 14, 2020

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In response to nationwide protests, CEOs have committed to fighting discrimination and intolerance and have renewed pledges to increase diversity and fairness within their organizations. But how can they demonstrate that these are more than just empty promises? [New research](#) (by Bessen, Denk, and co-author Chen Meng) shows that CEOs can take one simple, immediate action to substantially reduce pay disparities for Black and women employees: Stop asking job applicants about prior pay.

We know that this policy has a major effect on pay disparities because 14 states have banned this practice during the last three years. We have analyzed differences between areas with salary history bans (SHB) and neighboring counties in states without bans. We find that these new laws generated substantial pay increases for Black (+13%) and female (+8%) candidates who took new jobs.

Why do disadvantaged groups see higher pay offers when employers don't use salary history information? Simply put, that information gives employers a bargaining advantage. Knowing that a job applicant is currently underpaid, employers can offer a bit more than their current pay level, confident that the applicant will accept. But the applicant may still be paid less than they are worth. In this way, [pay inequalities are perpetuated](#). But when access to salary histories is limited, Black and female job applicants see a more level playing field.

There appears to be a growing trend towards including a salary range in help wanted advertisements, even among employers not subject to an SHB, which suggests that many employers have voluntarily decided to stop asking about salary histories. This is a welcome trend, and more employers should follow it for the sake of reducing pay disparities. An employer voluntarily deciding to stop asking about salary history represents a [deliberate, specific action](#) that can help reduce pay inequity and, for first movers, serve as a [brand boost](#) to make the company a more attractive employer to women and minorities, showing that the employer is actually taking concrete steps to combat institutional discrimination.

There have been arguments both for and against the use of salary history information. Companies and HR professionals have [argued](#), for example, that knowing an applicant's salary history was imperative to save time for both the applicant and the company during the interviewing process. If the company could not afford the salary the applicant was likely to seek — typically 10-20% more than the current salary — then there would be no sense in making an offer that was not in that range. However, employers can — and increasingly do, as our data show — simply include a salary range with a job posting, and allow the applicant to self-select whether that range is acceptable to them when deciding to apply.

Employers can also gauge the applicant's pay expectations without asking for their salary history. Even with a salary history ban, an employer can ask what an applicant hopes to earn. And nothing prevents highly paid job applicants from volunteering their current salary to set employer expectations.

Some HR professionals have also [argued](#) that the salary history was necessary to determine the applicant's career trajectory. A track record of steadily increasing salary in previous positions would demonstrate that the applicant was worthy of increasing responsibility and pay. Of course, that information could also be determined [qualitatively](#) from the applicant's resume and from interview questions, or quantitatively through market research of what other companies pay for that same position, or from what the company has paid previous employees in that or similar positions.

Another concern is that salary histories might reveal the quality of the applicant generally, aside from their career trajectory. The worry is that without this information, employers will select lower quality candidates on average, leading to poorer job matches and greater turnover. Our data show that this does not seem to be a significant concern. Turnover rates have not increased in states with salary history bans in general nor have they increased for workers who were relatively underpaid in their previous jobs. In short, our analysis, based on the states that banned employers from using salary histories, shows that employers can hire just as effectively without using this information. At the same time, employers who avoided asking for salary histories were able to significantly reduce unfair pay differences.

Not asking about salary histories is related to a growing trend towards greater salary transparency. Our data show sharp increases in the use of salary ranges in job postings after state-wide enactment of SHB legislation, and not just by employers subject to the ban. Applicants, too, can learn about an employer's salary range from websites like Glassdoor, which allows current and former employees to post information about their salary and work environment. The greater transparency offers applicants a level playing field, thus reducing discrimination and other inequities both in the hiring process and over time on the job.

Greater transparency benefits both employers and applicants, and also satisfies the needs of HR professionals and CEOs. Arguments on both sides of salary history bans saw the need for transparency and starting the employer-employee relationship on the right foot and in the proper spirit. Although employers are more likely to name a salary range in a job posting because of a salary history ban, they would have not have posted the job if they did not know what they could afford to pay for it. The SHB simply encourages the employer to make explicit what it likely already had in mind when posting the job. Clearly, employers can go beyond the requirements of these laws and voluntarily provide greater information to applicants and employees. That transparency creates a culture that sets the right tone as open and welcoming for employees, helps attract a greater diversity of candidates, and reduces the pay gap for women and persons of color.

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