Q&A Pay Equity

Question: We have always verified a candidate's previous salary history early on in the hiring process. Usually we ask for a copy of a pay stub or a copy of the candidate's previous year's tax filing. Is there any problem with that practice?

Answer: We don't recommend this practice. First, a pay stub and/or tax return contains revealing information that an employer shouldn't have pre-hire, such as date of birth, number of dependents, marital status, social security number, garnishments, miscellaneous deductions on pay stubs, and other deductions (think medical costs, child care, etc.). Obtaining this information post-hire is acceptable but pre-hire it is not.

In addition, employers should be aware of so-called Pay Equity laws that are sweeping cities and states across the country. Pay Equity laws generally prohibit employers from asking for previous salary information or from basing the new employee's salary according to what s/he was paid in the past. Many of these laws also specifically prohibit asking for W-2s & tax returns pre-hire. The main purpose of these Pay Equity laws is to try to eliminate persistent pay gaps between men and women and minorities. Historically, women and minorities who have been underpaid in prior positions are unable to close the pay gap if future employers know what they made previously and base their compensation offer on that information. Asking for salary history perpetuates inequitable pay.

Instead, we recommend companies pay what the position is worth in the marketplace and not on what the candidate's previous compensation level was.