

How To Introduce Pay Transparency to Help Close the Gender Pay Gap

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COVID-19 disrupted American workers' lives, with 95% of the U.S. population under stay-at-home orders at its peak. The ensuing mass layoffs and resignations were heavily concentrated in female-dominated fields. This happened just as child-care demands increased because of school and day care closures. Referred to as a she-cession, this was a time when millions of women left the workforce—accounting for close to 70% of those who lost their jobs and resulting in a loss of more than 1.4 million net jobs. When you combine this with caregiver support issues, legal barriers created by labor laws written when men made up the majority of the labor force and skyrocketing inflation, women in the workforce are experiencing immense challenges.

States and localities are combating these challenges by enacting pay transparency laws. Salary transparency benefits all workers, but it is especially important for women, as they experience

the largest wage gap. WorldatWork defines pay transparency as "the degree to which employers are open about what, why, how and how much employees are compensated—and to what degree they allow employees to share that information with others." Pay-transparency information may be provided voluntarily on a company's website or in job postings, however, more often it is only provided upon request once a candidate is far into the hiring process. The information pay-transparency laws may require to be disclosed includes "pay rates for specific positions, pay increases, bonuses or commission structures, benefits, retirement plans, or any other specifics about pay."

Laws preventing employers from asking job candidates for their salary histories are also becoming more common. These laws help to keep past pay inequalities from compounding over the course of someone's career. They support the position that compensation should be based on the job duties and experience level, regardless of the candidate's salary history or gender.

The Benefits of Pay Transparency

Requiring employers to divulge what a job pays can benefit women in the following ways:

- Closing wage gaps: On average, women are paid 82 cents for every dollar men make. Wage gaps and pay inequity have been found to be reduced in organizations that utilize salary transparency. In fact, the gender pay gap could be reduced by 40% with broad pay transparency. A gap in wages can result from unintended hiring manager bias and/or a lack of historical pay transparency. Pay gaps often begin at the start of a woman's career and then compound over the years when employers base the salary offered on a candidate's previous pay. Additionally, research shows most women negotiate their pay less frequently and vigorously than men. Disclosing a pay range can decrease the need for women to negotiate and at least sets the parameters based on market pay rates.
- Detecting and avoiding discriminatory pay patterns: Pay transparency is beneficial to both employers and employees because it can help detect and avoid discriminatory pay patterns. When conversations around pay happen in secrecy, it can be easier for discrimination and bias to factor into compensation decisions. When salaries are accessible and transparent to all workers, women can more easily discern if they are underpaid compared to their male colleagues. Pay transparency aims to help employers and employees avoid discrimination in discussing, disclosing or inquiring about compensation, which ultimately could eradicate the current wage gap based on gender.
- Increasing women's independence: With so many female heads of households, pay equity is a good thing for society. If women earn the same pay for the same work as men, they can better support their families. As a result, the number of children growing up in poverty could decline and there could be less reliance on public assistance programs paid for by taxpayers. Additionally, with equal pay, women may be better able to afford child care, helping them to stay in the workforce and build their careers so their wages will keep pace with men's.

As more states and localities require employers to disclose compensation information, it's important that employers, applicants and employees are aware of relevant regulations and what must be disclosed at each stage of the hiring process and during employment.

Actions You Can Take

Here are a few things you can do to bridge the pay gap and introduce pay transparency in your organization:

Determine where you are and need to be. Where does your organization currently fall on the transparency spectrum? Where does it need to be for legal compliance?

Conduct a pay equity analysis. Leverage salary analysis tools to assess your current compensation structure. Cross-reference pay scales against gender, ethnicity, seniority, education, etc.

Do job descriptions contain rational education and experience requirements?

Are pay ranges aligned with responsibilities? Have pay increases kept up with changing responsibilities?

Are pay scales out of sync with experience, job title and tenure? For example, are new hires being paid more than experienced co-workers or their managers?

Does your compensation structure have any disparate impact on protected classes of employees?

A pay equity analysis should be conducted under the supervision of legal counsel to ensure legal compliance and protect attorney-client privilege.

Establish or update your compensation policies. Establish and enforce clear and objective policies around pay structure and how raises and promotions are earned.

Be proactive. Even if it isn't legally required in your state, these actions can help reduce the pay gap:

- Disclose salary ranges in job postings
- Train interviewers not to ask about pay history
- Ensure women have equal opportunities for training and advancement

As a certified women-owned business owner, I understand the value women bring to the workforce and the challenges they face. It is a sad commentary, indeed, that the Equal Pay Act of 1963—granting equal pay for women—became law 60 years ago, but a significant gender wage gap still exists in the U.S. today. Hopefully, over time, the transparency of pay information required by more recent laws will reduce all wage gaps based on gender, race, religion, national origin, sexual orientation, age or disability. Equal pay for equal work sounds like a no-brainer that is long overdue.