POLICY BRIEF: Pay Transparency Legislation

PURPOSE: The intended outcome of this policy is to close the **gender wage gap** through two key components:

1. Prohibiting employers in the City of Cleveland from inquiring about the salary history of an applicant
2. Requiring employers in the City of Cleveland to provide the salary range when posting a job position

BACKGROUND:

- Women in Cleveland face persistent pay gaps: in 2023, women living in Cuyahoga County who worked full-time earned 81.8¢ of every dollar that men earned.[1] This amounts to nearly $10,000 every year. The pay gap persists more through race: in 2023, for every dollar earned by a White man, Asian women made 94¢; White women made 80¢; Black women made 66¢; and Hispanic women made 58¢.[2] Moreover, female-headed households are disproportionately impacted by poverty in Cuyahoga County.[1]
- The inquiry and use of salary history can be used by employers to take advantage of past inequities, perpetuating past discrimination and lower earnings across race and gender.[3]
- The lack of salary range information on job postings is an example of **private** or **asymmetric information** between job seekers and employers, leading to a disadvantage for job seekers during salary negotiations, often resulting in lower wages for less-experienced negotiators.[3] Private information is a source of **market failure**.

WHAT'S BEEN DONE IN OTHER CITIES/STATES?

City/State	Prohibits salary history inquiry/use	Requires salary range on job posting	Enforcement
Cleveland, OH *as proposed*	Yes	Yes	15+ employees. Complaint procedure; filed with the Fair Employment Wage Board. Civil penalties *may* be issued upon a violation finding and if a complaint is not resolved. Employers have the ability to cure any complaints prior to the issuance of fines.
Columbus, OH (2024)	Yes	No	15+ employees. Complaint procedure; filed with the Community Relations Commission. Civil penalties may be issued.
Toledo, OH (2019)	Yes	Yes, upon conditional offer of employment	Private cause of action.
Cincinnati, OH (2020)	Yes	Yes, upon conditional offer of employment	Private cause of action.
Colorado (2021)	Yes	Yes	Complaint procedure and private cause of action. Civil penalties may be issued.
California (2018 & 2023)	Yes	Yes, for employers with 15+ employees	Complaint procedure. Civil penalties may be issued.
Washington (2019 & 2023)	Yes	Yes, for employers with 15+ employees	Complaint procedure. Civil penalties may be issued.

Note: 21 states in the U.S. have policies prohibiting salary history inquiry and use and/or require the salary range on job postings.[4] These policies have also become increasingly popular internationally.

POLICY IMPACTS:

- Economic research has found that, **following Salary History Bans, employers posted wages more often and increased pay for job-changers overall** by 4.1%, with even larger increases for women (6.2%) and non-whites (5.9%).[5]

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    - These findings are supported by separate economic studies of the impact of Colorado's "Equal Pay for Equal Work Act" that have shown the gender wage gap has been reduced by about 6.4% *without* impacting men's earnings. Similar trends were found in the state of Washington and California.[6]
- Research has found the **gender wage gap is reduced when job seekers are provided with information** about the salary bargaining range.[3]
    - Providing more information to job seekers (i.e. including the salary range on job posting) creates market pressures that would result in **wage competition** between employers. Competitive markets create more equitable economies, lower barriers to entry, increase wages, and lower prices. *NOTE: This legislation will not create a perfectly competitive market, but it pressures the market in the right direction and may result in equitable wage growth for Cleveland workers.*

POTENTIAL CONCERNS:

- **Would this proposed policy make Cleveland businesses less competitive?**
    - **No.** Early economic research on the impact of these policies have not shown any negative economic impacts. Pay transparency laws can also increase wage competition between employers,[7] thus increasing wages and making employers more attractive to employees.
    - Colorado saw GDP growth outpace the U.S. after the implementation of Colorado's Equal Pay for Equal Work Act.[6]
    - Providing salary information can also improve efficiency for both employers and job seekers.[8]
- **Would this policy be burdensome for businesses?**
    - Cleveland's proposed policy only applies to employers with 15 or more employees.
    - Columbus waited a year to implement the policy after passage to ensure a lengthy education and outreach period for businesses to become acquainted with the new requirements.
    - Many national employers are already in compliance since these laws exist in nearly half of all states, such as Sherwin Williams.

COSTS (Time, Money, Effort, Personnel):

- **City costs would be minimal**. Enforcement of this policy would be under the purview of the Fair Employment Wage Board; appeals would go to the Finance Department and Board of Zoning Appeals.
- Employer costs would include training hiring managers to ensure compliance. Employers may also experience market pressures to increase wages across the board for new employees, although higher wages typically lead to increased spending and GDP, which ultimately benefits the local economy.

SUPPORT AND/ OR OPPOSITION:

- Employees and workers' advocates broadly support these policies. Support letters received from the Northeast Ohio Hispanic Center for Economic Development and Plexus LGBT & Allied Chamber of Commerce.
- Employers and business chambers have typically opposed these policies, although some employers have since become supportive.[8] Greater Cleveland Partnership has expressed a neutral position to the legislation.

RECOMMENDATIONS:

- Prior to introduction/passage, the City should have discussions with local business chambers to discuss the new law, including Greater Cleveland Partnership, Hispanic Business Chamber, President's Council.
- There should be enough time between passage and implementation to educate employers and engage in employer outreach to prevent noncompliance due to lack of information. Columbus waited a full year prior to implementation for this purpose.
- Information on the new law, process to file and cure complaints should be readily available on a public-facing web page/distributed to employers. Information on the law could also be distributed through CCA as businesses file taxes to ensure adequate sharing of information.

REFERENCES:

1. Status of Women in Cuyahoga County (2023) produced by the Center for Community Solutions
2. Equal Pay Day Calendar – AAUW : Empowering Women Since 1881 (2023 data)
3. A Meta-Analysis on Gender Differences in Negotiation Outcomes and Their Moderators by Jens Mazei et. al
4. State by State: Salary History Bans and Pay Transparency Laws
5. Perpetuating Inequality: What Salary History Bans Reveal About Wages by James E. Bessen, Chen Meng, Erich Denk
6. Equal Pay for Equal Work - Denver City Council
7. Is Pay Transparency Good? by Zoe B. Cullen (National Bureau of Economic Research)
8. How Pay Transparency Laws Impact Business - and Workers

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