



# Hiring Best Practices

SALARY GAP

# About the study

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*Hiring Best Practices & the Wage Gap survey report examines the most common hiring practices in the social sector and how HR/human resources understands and interprets those practices within the context of wage inequality.*

*Survey respondents represent HR management professionals at nonprofit organizations with budgets or assets above \$100 million, or with \$50 million operating budgets within the United States. Most of the respondents were the most senior hiring partners from their organization also responsible for setting compensation company-wide. Almost 60% work for nonprofits, 25% foundations, and 10% for NGOs. Roughly 85% were women, 15% men. Two-thirds of respondents identified as Caucasian; 14% as African American; 7% as Hispanic/Latino; 1% as American Indian; 2% as Asian; 1% as Pacific Islander ; 4% as Multiracial; 5% declined to answer; and 1% as other.*

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# Even in the most enlightened organizations The salary gap is still very real

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We know that the root causes of pay inequity for women and minorities vary greatly. One particular cause gaining the attention of employers and regulators is the practice of asking “current compensation” during the job interview, offer and negotiation stages. This practice has been called out because historically, women and people of color were offered and accepted lower salaries in their first or early positions. This gap continued throughout their careers as each subsequent role referred back to the current salary as a reference point for the future salary. Asking for a candidate's salary history is a traditionally accepted practice and has been a large part of the negotiation process for new positions as well as promotions. While this topic has been widely studied in the private sector, we wanted to explore the issue within the non-profit sector.

We've created a survey that contextualizes diversity as a hiring practice among large US nonprofits, NGOs and foundations. It addresses how common hiring and salary negotiation practices contribute to both the under-representation of marginalized groups and gender and racial wage gaps. Several states and the Federal government have been proposing various legislative schemes to address the 'salary history' practice. Our goal is to explore current hiring best practices in the social sector, perceptions among sector hiring executives and pose the question: what would salary negotiation look like if the practice of asking salary history was unlawful?

Please take a moment to read and contemplate the results and ideas this survey brings into focus. It's time for responsible change from those who can affect it most easily.

Sincerely,



**Tom Waldron**

*Founder & CEO  
Waldron*



**Sandra Archibald**

*Dean and Professor  
University of Washington  
Evans School of Public Affairs*

# Legislating equity:

## Asking for salary history could soon be illegal in all 50 states

Massachusetts became the first state to enact into law a bill that will require employers to offer salaries to prospective employees based on merit, not gender, race, or ethnicity. The law goes into effect in July 2018, and prevents employers from asking job applicants what they've earned in the past. It also makes Massachusetts the first state to ban the practice, though the city of Philadelphia passed similar legislation in early 2017 that will go into effect in May, 2017. Across the country, Oregon may soon join Massachusetts as a state that regulates potential interview questions, having introduced a similar bill in early 2017.

California Governor Jerry Brown signed Assembly Bill 1676 into law in August 2016. The measure makes it clear that employers cannot use prior salary to justify a gap in wages between men and women.

State legislators in red, blue, and purple states have leveraged the Massachusetts law as a model to create similar legislation at the congressional and state levels. States which have enacted a range of fixes to the gender pay gap include Maryland, Delaware, Nebraska, and Utah; each one passed pay equity bills in 2016, similar to the bills in California and Massachusetts. And, on Sept. 14, 2016 Washington, D.C. Representative Eleanor Homes Norton (D) introduced a related bill in U.S. Congress, with fellow Democrat representatives Rosa DeLauro from Connecticut and Jerrold Nadler from New York.

Under the Pay Equity for All Act of 2016 (H.R. 6030), an employer could be subject to a fine of up to \$10,000 if it asks questions about an applicant's salary history. Employers could also be liable to employees or prospective employees for specific damages up to \$10,000, in addition to attorneys' fees.



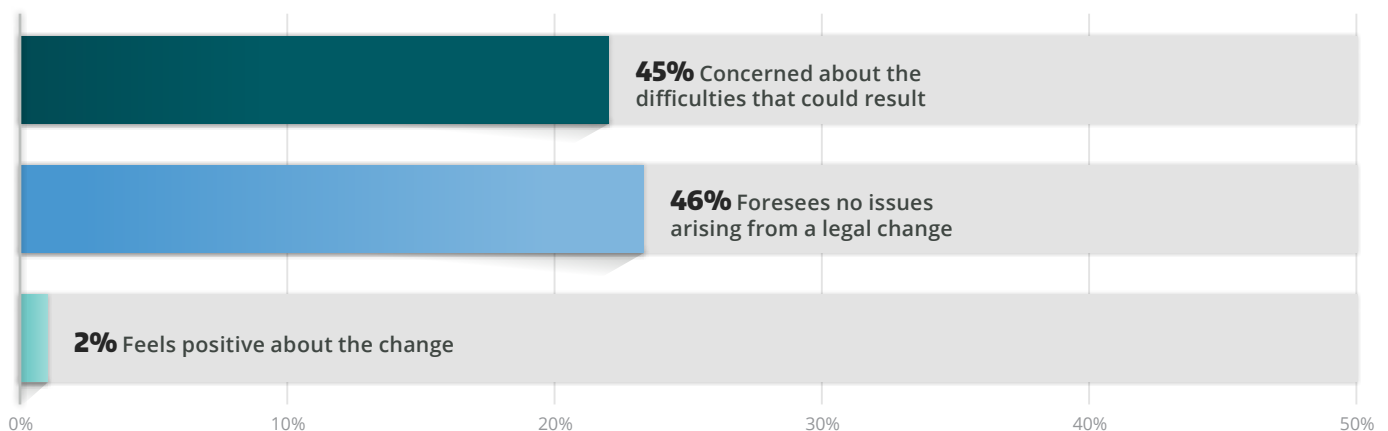
# What if the law prevents you from asking about prior salaries

Given the weight many organizations place on information gathered from candidates about salary history, especially for executive leadership roles, or when HR follows prescribed best practices, a law preventing the question can pose significant challenges in removing a once important decision data point.

Our survey respondents were split in reaction to potential law changes. Roughly 46% foresaw no issues arising from a legal change, while 45% were concerned about difficult challenges that would result from a mandatory change in practice. Only 2% of respondents had a positive reaction to the idea.

It would be a change of practice and quite an education for hiring managers. It would take some time to shift their perceptions of the decreased importance of the historical data, and more importantly, increase the importance of paying to market based on education, skills, and experience.

## Reaction to potential law changes



# Is it best practice to ask for salary history

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# Why ask

The question that is getting increasing national attention is whether salary history is a factor that contributes to pay disparity. The case is that one cannot use earnings history as a basis for paying one worker more than a co-worker who is performing “substantially similar” work. There is growing sentiment that the question is improper, overly intrusive and is likely to be unfair to minorities and women.

Most often, employers ask for salary history as an easy screening device to help sort applicants, and those applicants with a salary requirement too low or too high are discarded. With a salary history, employers are not only looking at whether the candidate is likely to be happy with the salary the organization can offer, but also at whether the person has received raises when changing jobs.

“When used appropriately, this information helps organizations and job seekers have an open and honest conversation about needs.”

How much do you agree or disagree with the following statement:  
It is best practice to ask for salary history?



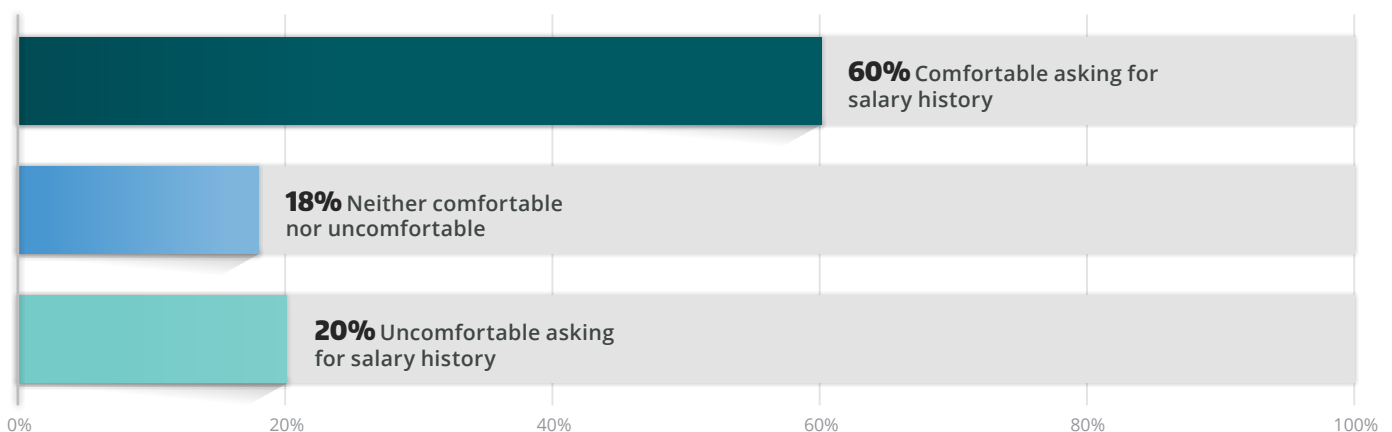
# How it makes you feel to ask...depends

Organizations often have standard questions interviewers must ask. While most survey respondents seem reasonably comfortable asking the 'salary history' question, more men than women agree it's a fair question. Examining the results shows a pattern—those who attribute the question to best practices feel more comfortable asking, while those feeling it should not be asked disagree that it reflects a best practice.

Yet most employers ask for salary history on employment applications. Evidence is clear that the question places the candidate in a vulnerable catch-22; either they reveal personal information that could jeopardize higher salary offers, or they may withhold it and appear uncooperative and not a team player.

“ I never ask for historical salary, never, because I am a woman of color and I've experienced salary disparity my whole career. So, in my own decision making, I make sure not to ask for salary history. I don't want to know because I don't want to have explicit or implicit biases when I make the decision. ”

## How comfortable do you personally feel asking for salary history?





# Hiring process norms are hard to change

Historically, asking salary history questions has been a practical part of the hiring process. In isolation, it seems relevant, and it might pinpoint a helpful reference point for negotiations. However, basing pay offers on salary history can lead to unintentionally discriminatory pay practices in which there is a disproportionate impact on disadvantaged groups, such as women or minorities.

Previous salary histories have been used as a proxy for the value someone brings from their past experience, but this does not take into account the fact that an individual may have been significantly underpaid in the past. A lower salary history has been widely used as justification for paying someone less. This has perpetuated unfair pay practices and resulted in pay disparities among those performing the same job.

“ I'm newly enlightened on this. It's been such a standard, I never questioned it before but see the downside. So yes, I agree. ”



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“ The gap is due to what we intrinsically know be true vs. the hard data supporting the theory. Since this is a new practice, there isn't data to support it. Similar to many employee relations best practices, measurement can be a challenge. ”

# Equal pay for equal work

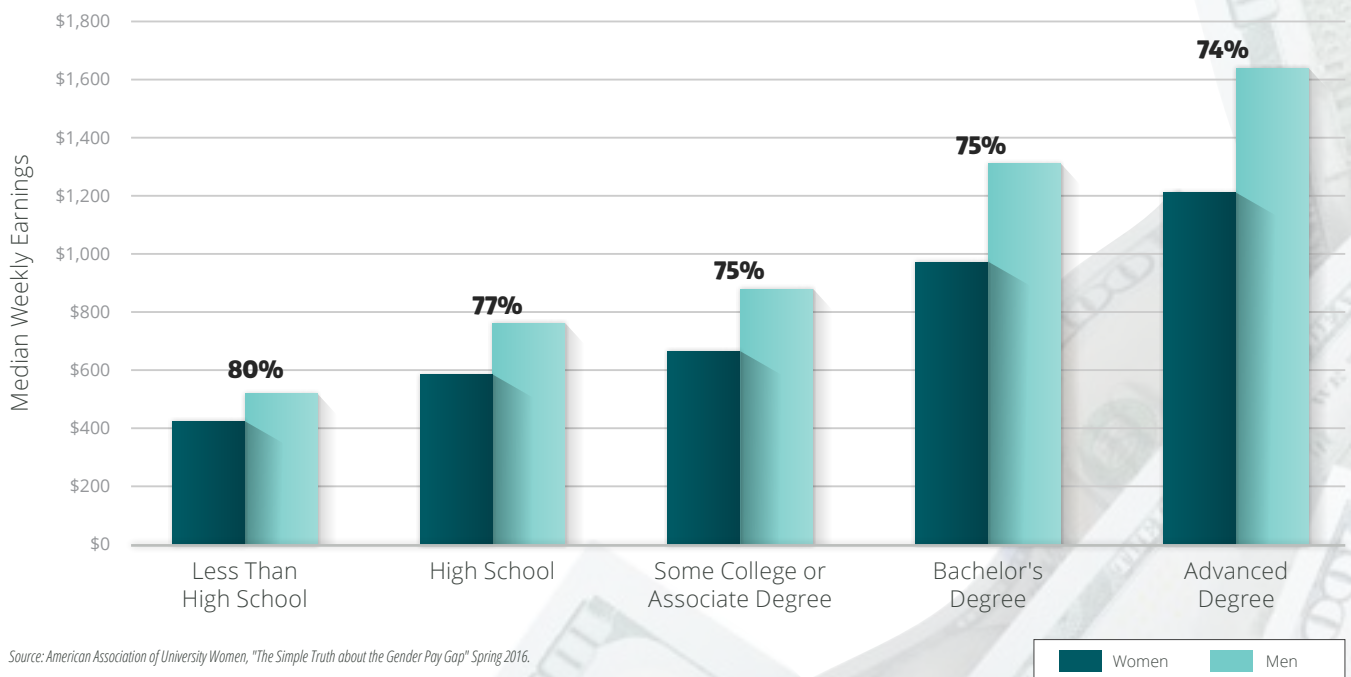
In practice, candidates receiving lower salary offers are often women and minorities. Minority candidates who negotiate and advocate strongly for themselves often wind up with a lower offer than someone who happened to earn more at an earlier position.

The reality is, on average, women find themselves making less than their male counterparts for equal work. Based on national pay-disparity numbers, women overall working full time, are paid only 79 cents for every dollar paid to their male counterparts. Relative level of education does not change the equation; the gaps persists at all education levels. The gap increases as women advance in their careers.



Source: WhiteHouse.gov 6/4/2012

## Pay gap largest for women with advance degrees



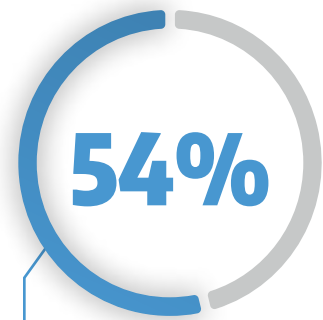


## Accomplish more than just fairness

A shift to greater focus on hiring practices that exclude consideration of earnings history projects greater openness to the merits of desired experience and capabilities.

Survey respondents indicated that, in most cases, a refusal to disclose past salary history would hurt a candidate in the application process. 54% of respondents said their organization would view a candidate negatively if s/he didn't provide past salary information. Forty five percent said that a refusal would neither negatively nor positively affect their perception of a candidate. No respondents said that it would positively affect their perception of a candidate.

Organizational culture should accommodate those candidates who wish to keep their current salary private and compete on the basis of credentials and ability. Educating hiring managers that this is acceptable, making the relevant measure the fair market value of the open position as well as internal equity, not previous salary history.



**54%**  
of respondents said their organization would view a candidate who refused to disclose salary history more negatively in the hiring process.

# Perceptions of inequity

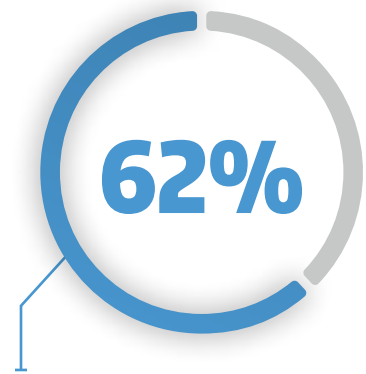
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# Do you ask for salary history before determining your compensation packages

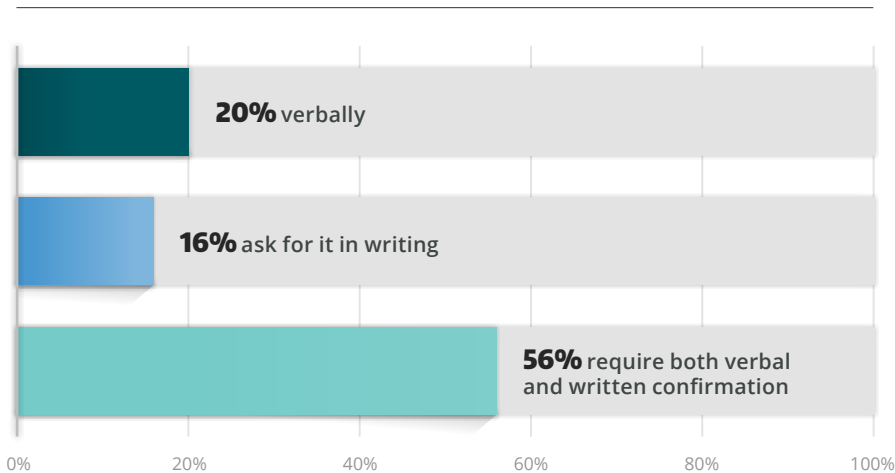
Our survey revealed that many organizations don't have standard written procedures and policies to guide salary negotiations; only 54% of respondents said that their organizations had such practices formalized. More than half of respondents (62%) stated that their organization requires candidates to disclose salary history at some point during the application or interview process. Of organizations that do ask for salary history, 20% ask verbally, 16% ask for it in writing, and 56% require both verbal and written confirmation.

Since 1963, when the Equal Pay Act was signed, the wage gap between men and women has diminished at a rate of about half a penny a year. At this rate, women are less likely to recover from below market value early in their careers than their male counterparts.



62% of organizations require candidates to disclose salary history during the application process

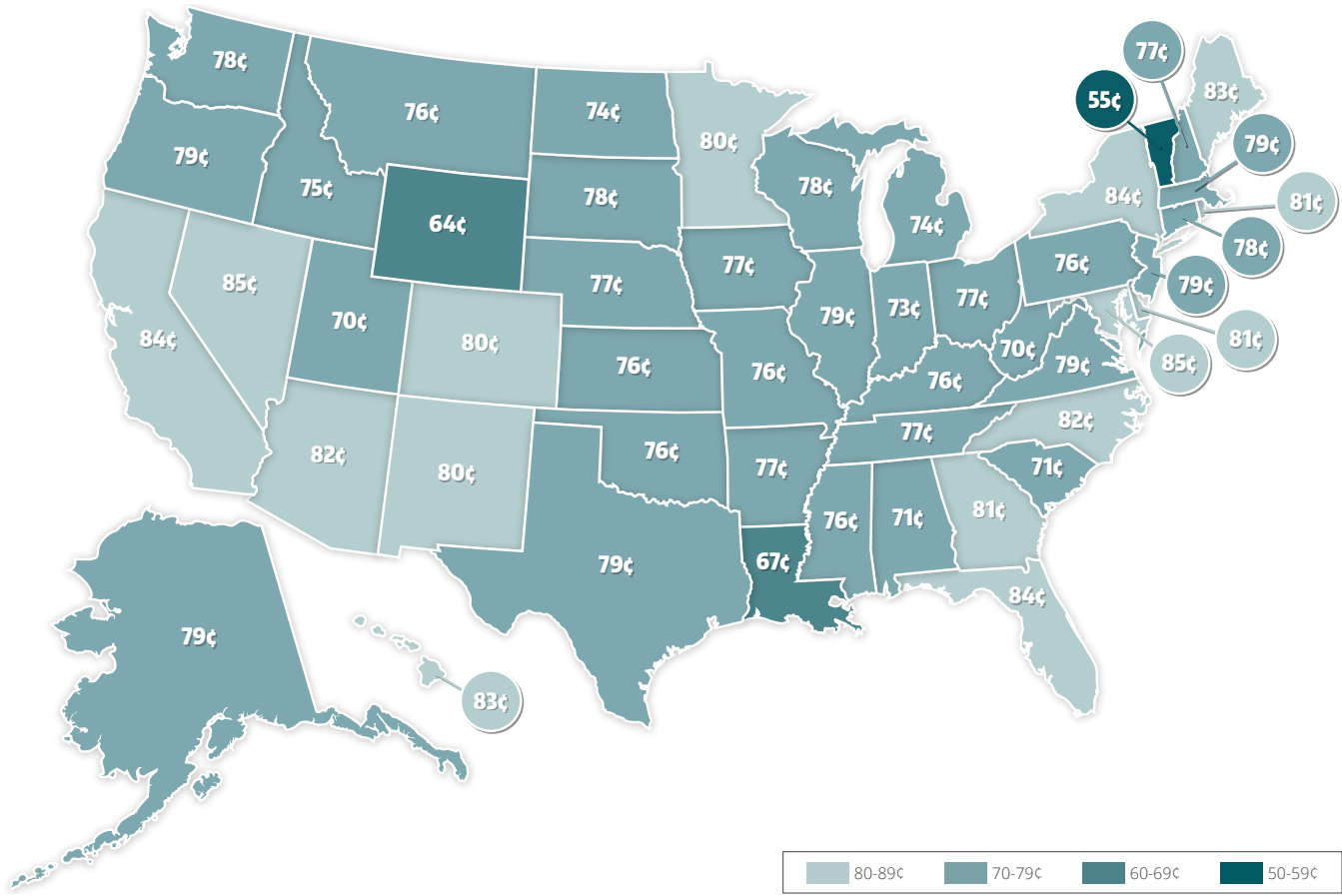
## How organizations commonly collect salary history information



It's not unusual and I don't think it's unethical, though it may not be a smart move. If, however, they're qualified, then you're saving a few pennies today that might haunt you later.

# The wage gap in the United States

A geo-perspective: What a woman makes for every dollar a man makes



# Who would have thought...nonprofits too

Nonprofit work often mandates unusual amounts of selflessness and huge time commitments, especially when work focuses on social good and establishing recognizable impact over time. Does gender pay inequity in the social sector align with organizational goals, values and the impact these organizations represent? While more women than men populate positions in the non profit sector, the larger the organization, the less gender diversified its leadership.

Women nonprofit leaders still make less than men at every budget level. Nonprofits with budgets of \$250,000 or less, the pay gap is 8 percent. As revenues increase, so does the gap. It is most pronounced for women chief executives at organizations with budgets of \$25 million or greater; these executives take home 23 percent less than their male peers.

## Chief executive salaries

Median salaries from the 2015 GuideStar Nonprofit Compensation Report, which is based on data reported by about 105,000 organizations to the Internal Revenue Service.

BUDGET	MALE	FEMALE	WAGE GAP	PERCENTAGE OF FEMALE CEOs
<\$250,000	\$54,161	\$49,642	<b>8%</b>	58%
\$250,000-\$500,000	\$73,115	\$62,355	<b>12%</b>	55%
\$500,000-\$1,000,000	\$94,814	\$79,201	<b>15%</b>	52%
\$1,000,000-\$2,500,000	\$125,429	\$103,460	<b>16%</b>	47%
\$2,500,000-\$5,000,000	\$165,305	\$133,139	<b>20%</b>	40%
\$5,000,000-\$10,000,000	\$208,751	\$171,038	<b>20%</b>	36%
\$10,000,000-\$25,000,000	\$268,751	\$210,081	<b>19%</b>	31%
\$25,000,000-\$50,000,000	\$363,630	\$295,505	<b>23%</b>	28%
>\$50,000,000	\$739,582	\$533,092	<b>23%</b>	20%

source: 2015 guidestar nonprofit compensation report

# Does your workplace have a gender pay gap

While wage disparities do exist, this survey reveals that the majority of respondents do not believe their workplace has a gender pay gap issue, however, they do believe it is a problem in the U.S.

Our survey shows men perceive far less inequity in the workplace in matters of gender, race, or other marginalized groups.

This contradiction between perceived equality and ongoing statistical inequality creates confusion; despite optimistic views that women and minorities have broken through barriers to senior positions, they are, in fact, still underrepresented in governance, directorship, and executive leadership.



**15%**

of respondents see pay inequalities as a problem within their own organization

— YET —

**85%**

of respondents see pay inequalities as a general problem in the United States

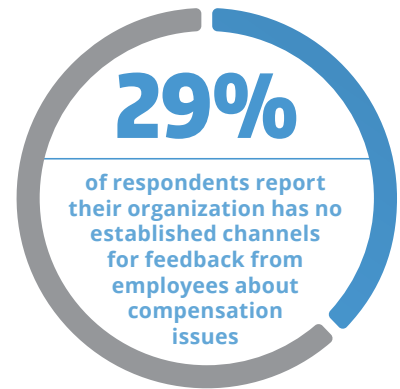




## Do you openly discuss salaries with co-workers

Geography, size, budget, culture, and other variables can determine an organization's internal policies with regard to open discussions around compensation. Can employees legally discuss their salaries with other co-workers? Yes. Should they? The conventional wisdom is that talking about your pay will lead to jealousy, conflict and problems with your colleagues.

Almost one third of respondents reported that their organization had no established channels for feedback from employees about compensation issues. 60% of respondents said that their organization does not make any form of internal salary data available to current employees.



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## Considering transparency

Members of a workforce generally have no idea how their salary compares with a colleague who shares equal education, experience, performance, and that ineffable and often highly subjective quality, "talent." In many nonprofits, talking about pay is either actively discouraged, prohibited, or conducted in high secrecy.

Under the right conditions, pay transparency can help bring clarity to the role of each employee, bolster the need for additional performance discussions, give prospective and current employees a clearer picture of compensation ranges. This can result in increased trust, while also shedding light on pay disparities related to race, color, gender, creed and friend or family work relations.

Pay transparency is not a cure-all but it can safeguard against inequities. The level of transparency may reflect the organization's culture and an overall approach to how it shares information. Regardless of culture, employers can benefit from the trust-enhancing effect of clarity about how compensation is determined.

# Summary

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Too often we assume that the wage gap does not prove discrimination, but instead merely identifies a statistical artifact, a failure to adjust for factors that could drive earnings differences between genders. However, these factors—particularly occupational differences between women and men—are themselves affected by gender bias.

Our survey results reflect the same conclusions other polls confirm, that people generally agree widespread salary differences exist, but not necessarily in their own backyard. The question for employers to answer is not how to save ourselves from our worst inclinations and create a perfect world; instead, we believe leadership means taking serious steps to address workplace pay inequities.

Serious attempts to understand the wage gap should not include shifting the blame to women and minorities for not negotiating higher salaries. Rather, these attempts should carefully examine the ways in which our economy provides unequal opportunities for women and minorities at every point of their education, training, and career choices.

It has become widely recognized that diversity in organizations can lead to superior financial performance, better strategic decision making, increased responsiveness to community and client stakeholders, and enhanced ability to attract and retain top talent. Hiring practices need to support that outcome.



# Author's note

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This past year at Waldron, we have tested a “no ask” policy with our clients and candidates for our searches. Here is what we have discovered.

We have found that many our clients, primarily foundations, NGO's and other non-profits, are comfortable not asking about candidates' current compensation. Those who were not comfortable, felt they needed that information to craft salary offers.

When clients supported the “no ask” approach, we had to work more diligently to tighten the salary range and establish a mid-point for our search engagements. Thus, we discussed a starting salary range with candidates and ensured that their target strike point was within the range. We let candidates know that an offer would likely fall near the mid-point of the range. Then the offered candidate was at liberty to make the case for additional compensation consideration, with full knowledge of the salary parameters.

## Here are some important steps to consider:

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- 1.** Establish a hiring target range that reflects market for the position, considers internal parity, and reflects extraordinary benefits such as higher than normal retirement plan contributions, incentive or bonus compensation and other non-standard compensation.
- 2.** Discuss the salary range with the candidates early in the screening process to ensure there are no misunderstandings.
- 3.** Know that when you make an offer, you have concluded that this is the best candidate for the role — regardless of what they are currently earning.

We've concluded that those of us in recruiting have been part of the pay gap problem. Most of us were trained to negotiate based on recent prior earnings. It is a standard question on most job applications. Further, “what are they making now” is the first question often asked by the hiring leader when developing the contours of a job offer.

We need to change and adopt new salary negotiation strategies. Pending legislation that might become the law, notwithstanding, we know this practice has penalized many high performing women and minorities and must change.

