

# Greater Transparency Could Boost Wages, Close Gender and Racial Pay Gaps

## Position Statement in support of Senate Bill 525


*Given before the Senate Finance Committee*

Marylanders generally agree that the pay you earn through employment should be based on your position and your experience, not external factors like your gender and race. In fact, recent polling in the state showed that three in four Marylanders support implementing pay transparency practices in their workplace.<sup>i</sup> While the legislature has enacted a series of equal pay laws in recent years, we can do more to ensure that people and businesses benefit from pay transparency laws. **The Maryland Center on Economic Policy supports Senate Bill 525 as the next step to strengthen our state's equal pay protections.**

SB 525 simply requires that employers include the possible salary range for a role when posting a job opening, both for external and internal hiring and promotion processes. This is now commonly accepted as a best practice for recruiting a diverse and talented applicant pool, and its universal use across the state can help address gender and racial pay gaps. The bill also requires employers to include a general description of benefits and other compensation offered for the position, which can help businesses demonstrate the full compensation package beyond pay.

Disclosing salary range for job positions levels the playing field in the negotiation process by providing applicants with important information that helps them make the best decision for their future. This is particularly important for women and people of color who have long faced discriminatory pay and hiring practices. **When women aren't paid fairly, they are less able to provide for their families, may struggle to make ends meet, and fall behind on achieving economic security. Practicing transparency around pay is an important step forward for racial, economic and gender justice in the workplace.**

The salary negotiation process is notoriously unfavorable to women. Women often ask for less than their equally qualified male counterparts because they are typically coming from roles where they are paid less. But research also shows women are likely to be treated worse in negotiations and perceived negatively or



as aggressive.<sup>ii</sup> Specifically, women of color, who experience the largest wage gaps, state dramatically lower minimum salary requirements than white men, white women, and men of color. When job applicants are clearly informed about the context for negotiations, like the range of pay, these gender differences in negotiation outcomes are reduced.

Early evidence from states that have enacted transparency laws suggests that greater pay transparency helps reduce wage disparities.<sup>iii</sup> In Maryland, women could lose up to \$392,200 over the course of a 40-year career when compared to a man because of pay disparities. This estimate more than doubles for women of color.<sup>iv</sup>


- In Maryland, women are paid 85 cents for every dollar paid to men. For women of color, the wage gap is even larger.<sup>v</sup>
  - Asian women make 85 cents for every dollar white, non-Hispanic men make.
  - Black women make 67 cents for every dollar white, non-Hispanic men make.
  - Native American women make 57 cents for every dollar white, non-Hispanic men make.
  - Latinx women make 49 cents for every dollar white, non-Hispanic men make.

**Salary range transparency also benefits employers by saving time, retaining talent, staying competitive and implements inclusive pay practices.**

- When workers believe pay is transparent in their organization, the gender wage gap vanishes for women doing similar jobs to men.<sup>vi</sup>
- Publishing pay ranges for open positions provides employers a chance to review their compensation practices and determine whether or not they are fair and equitable.<sup>vii</sup>
- Pay transparency promotes employee trust and retention.<sup>viii</sup>
  - A Glassdoor survey found nearly 2 in 3 employees prefer to work at a company that discloses pay information over one that does not.<sup>ix</sup>
  - In a recent poll out of Maryland, over half (53%) of respondents refrained from applying for a job opening that did not list a pay range, or are generally less like to do so.<sup>i</sup>

Salary range transparency is a critical tool for leveling the playing field for negotiating pay and to ensuring that women are paid a fair salary based on what the job is worth. Upfront disclosures could help close wage gaps across gender, racial, and LGBTQ identities.<sup>x</sup>

This policy would also ensure Maryland is keeping up with the protections available to working people in other states. Similar policies are already in place in New York, Colorado, California, and Washington, and other states are currently considering pay transparency bills in their legislative sessions.



Senate Bill 525 is an important step toward ensuring that everyone receives fair, equal treatment in the workplace. By strengthening the law, Maryland is making sure that women, people of color, and others who experience wage discrimination can continue providing for their families and building a stronger economy.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Finance Committee give a favorable report to Senate Bill 525.**

---

## Equity Impact Analysis: Senate Bill 525

### *Bill summary*

Senate Bill 525 would require that employers include information about the pay range for a position in job announcements, including internal and external postings, promotions, and transfer processes. It would also require employers to include basic information about benefits for the position in job announcements.

### *Background*

In 2020, Maryland passed legislation that prohibits employers from requiring applicants to provide their salary history. This bill also stated that employers have to disclose the pay range for a position upon request.

The state's earlier Equal Pay for Equal Work law created protections for employees. Under the law, an employer may not prohibit an employee from asking about or disclosing their own wages or those of another employee. Additional protections state that the employer may not require an employee to sign a waiver or any other document that would deny the employee these rights, and they may not fire someone or take any other adverse actions against an employee for protected actions around wages.

### *Equity Implications*

Providing more transparency around the wage ranges for a position could help close the gender and racial pay gaps over time.

- A woman working in Maryland makes only 85 cents for every dollar made by men in comparable jobs. The wage gap is worse for women of color: Black women make 67 cents, and Latinx women make only 49 cents for every dollar paid to a white man doing comparable work.
- The gap in wages gets greater with age, due to the compounding effects of lower wages early in a woman's career.
- Major factors in these pay disparities include: race and gender-based discrimination and a lack of transparency around wages.<sup>x1</sup> The policies in SB 525 would help address all of these factors.

### *Impact*

Senate Bill 525 would likely **improve racial, economic, and gender equity** in Maryland.

- 
- i New Polling Shows High Support for Pay Range Transparency in Maryland, National Women’s Law Center, January 2024, <https://nwlc.org/wp-content/uploads/2024/01/PRT-MD.pdf>
- ii Bowles, H.R., Babcock, L., & Lai, L. (2007). Social incentives for gender differences in the propensity to initiate negotiations: Sometimes it does hurt to ask. *Organizational Behavior and Human Decision Processes*, 1, 84-103. <https://dash.harvard.edu/handle/1/38437278>
- iii Zoe Cullen, Is Pay Transparency Good?, Harvard Business School, 2023, [https://www.hbs.edu/ris/Publication%20Files/23-039\\_61ccbe5a-07e0-4598-9b99-9f9946cc2e3e.pdf](https://www.hbs.edu/ris/Publication%20Files/23-039_61ccbe5a-07e0-4598-9b99-9f9946cc2e3e.pdf)
- iv The Lifetime Wage Gap, National Women’s Law Center, <https://nwlc.org/resource/the-lifetime-wage-gap-state-by-state/>
- v The Wage Gap, State by State, National Women’s Law Center, October, 2023, <https://nwlc.org/resource/wage-gap-state-by-state/>
- vi PayScale, Does Pay Transparency Close the Gender Wage Gap, <https://www.payscale.com/research-and-insights/pay-transparency/>
- vii Salary Range Transparency Reduces Gender Pay Gaps, National Women’s Law Center, January 2023, <https://nwlc.org/wp-content/uploads/2022/09/Salary-Transparency-FS-1.13.23.pdf>
- viii Marcel Schwantes, “New Report: Pay Transparency May be Key to Keeping Your Employees in 2021,” Inc., <https://www.inc.com/marcel-schwantes/new-report-pay-transparency-may-be-key-to-keeping-your-employees-in-2021.html>
- ix 85% of Employed Women Believe They Deserve a Pay Raise; Pay Transparency Can Help, Glassdoor Economic Research, 2022, <https://www.glassdoor.com/research/pay-transparency-survey-2022/>
- x Jennifer Liu, Here Are All the New Salary Transparency Laws Going Into Effect in 2023, CNBC, Dec. 29, 2022, <https://www.cnbc.com/2022/12/29/new-salary-transparency-laws-going-into-effect-in-2023.html>
- xi “The Simple Truth About the Gender Pay Gap: 2019 Update,” American Association of University Women, 2016 <https://www.aauw.org/resources/article/what-you-may-not-know-about-the-gender-pay-gap/>