**Testimony From:** Margaret Bates, Industrial/Organizational Psychology Graduate Student at The University of Baltimore
**Bill No**.: House Bill 14
**Title**: Equal Pay for Equal Work – Inquiring about Wages – Prohibition on Adverse Actions
**Committee**: Economic Maters
**Date**: February 4, 2020
**Position**: SUPPORT

I am a graduate student in Industrial/Organizational Psychology at The University of Baltimore. For this written testimony, I reviewed relevant research to examine how HB 14 would affect employees and organizations. My review of relevant research shows that HB 14 would have substantial organizational and economic benefits, including:

1. **Improving employee job satisfaction and increasing employee voice;**
2. **Increasing employee attendance and productivity; and**
3. **Lowering employer costs by decreasing employee turnover and increasing attendance.**

**Background**. In 2016, the Maryland state legislature passed the Equal Pay for Equal Work Act, which made great strides in gaining equality for workers by providing protections based on gender identity. It also created equitable opportunities for men and women within the workplace. One of its biggest contributions was allowing employees to more fully negotiate for more equitable pay by allowing legal discussion amongst employees about their wages. However, while the Equal Pay for Equal Work Act made it illegal for employers to engage in punitive reprisals against employees for comparing and asking about **others' wages**, there is still a gap in the bill's wording that allows employers to negatively retaliate against employees who ask about **their own wages**. Thus, as the law currently stands in Maryland, employees are hindered in their ability to gather information about their own wages, knowledge that is instrumental in helping employees negotiate for higher wages and promotions. HB 14 seeks to close this loophole and to clarify the state law around an employee asking about their own wages. It would prevent an employer from retaliating against a potentially vulnerable employee who is inquiring about their own wages. By explicitly codifying protections for employees who ask about their own wages, Maryland state law can take the next step toward helping close wage gaps and creating more fair salary negotiations, especially for women who historically tend to be paid less.

**Job satisfaction**. Workers tend to compare their income with others to determine if they are receiving equitable pay (Kifle, 2014; Levine, 1993). These employees make internal calculations relative to other colleagues (once they can compare wages) to try and determine if their wages are being allotted fairly based on their individual skillset, tenure, and expertise. When an employee feels they are being adequately compensated for their work or given a fair wage, they also tend to experience job satisfaction or a sense that they like their job and that there is a good degree of fit between their job requirements and the equity of their benefits and pay (Staelens et al., 2018; Montero & Vásquez, 2015; Kifle, 2014).

**Productivity**. The importance of job satisfaction cannot be understated. Employees who are satisfied with their jobs are also those who are least likely to quit and least likely to call in absent from work (Mohanty, 2018; Kifle, 2014). Similarly, employees with high job satisfaction are also the most productive (Mohanty, 2018). They also are the types of employees who will go beyond basic role requirements of their job positions and work harder than is expected of them to actively contribute to the organization's success (Ziegler et al., 2012; Shragay & Tziner, 2011). In fact, the most successful organizations are those whose employees are dedicated, committed, and engage in these extra-role, organizational citizenship behaviors (OCBs) that ensure the organization thrives (Shragay & Tziner, 2011; Podsakoff et al., 2000). Thus, allowing for open wage negotiations as an avenue for potentially being allotted higher wages can eventually lead to more satisfied employees who contribute highly and productively to their organization.

**Voice**. Additionally, allowing employees to ask questions directly about their own wages has the added benefit of increasing employee voice. Voice describes the power and ability for employees to convey their concerns, qualms, and desires to their supervisors and feel that they are being heard (Carr & Mellizo, 2013). When an employee can discuss their own salary without retaliation, to essentially deal in individualized salary bargaining with management, they can also feel that they have access to their supervisors and that their supervisors are taking their input as a crucial part of the organization seriously. Establishing a voice in wage negotiation also can contribute to increased job satisfaction and, eventually, improved job performance (Wood, 2008).

**Retention**. There are also financial incentives for passing HB 14. Employees who are dissatisfied at their jobs due to low wages and a lack of voice in salary negotiations tend to skip work and start planning an exit from their current job position. In other words, workers who are dissatisfied are the ones most likely to contribute to turnover and to negatively impact employee retention rates (Palanski et al., 2014). The cost to replace an average employee is **1.5 times as high** as retaining a current, satisfied employee (Palanski et al., 2014; Cleveland, 2005).

**Attendance**. Moreover, the retaliation of an employer against an employee inquiring about their own wages could also be viewed as abusive supervision. In abusive supervision, a manager or supervisor engages in hostile non-verbal behaviors, like punishment and even dismissal, that can have negative emotional impacts on a worker (Palanski et al., 2014; Tepper, 2000). The effects of abusive supervision and employee retaliation are considerable. For example, in 2007, Tepper noted that it **costs U.S. corporations over 23 billion** in lost productivity from employees deliberately skipping work to avoid abusive supervisors and in increased turnover rates for employees who voluntarily quit their jobs to avoid conflict with abusive supervisors.

**Turnover**. The financial costs for wage question retaliation can add up due to employee turnover in organizations where employees feel they have no voice or ability to negotiate for higher salaries. Under current Maryland law, employees may not feel fully empowered to negotiate for higher salaries due to the possibility of punitive consequences for asking about their own salary during the negotiation process. Again, low wages can lead to low job satisfaction and eventual turnover where the employee voluntarily leaves their current job position. In just one industry, for example, the effects of turnover can be severe. Edwards (2005) noted that the 45% turnover rate for long term care hospice employees cost the long-term care agencies 4.1 billion dollars annually. **However, due to taxpayers funding 61% of long-term care givers via Medicaid and Medicare, about 2.5 billion dollars of the cost for training replacement long term care**

**givers was directly underwritten by the state and federal government.** This is just the cost in 2005 within **one** industry when turnover increases and retaining incumbent employees becomes difficult. Extrapolating, it would be prudent for both Maryland state departments and private sector businesses in Maryland to eliminate penalties to employees asking about their own wages so that these employees are freer to negotiate for higher wages. These potential wage improvements also have the potential to increase employee satisfaction and retention.

If Maryland can change the law to allow for easier salary negotiations and wage discussions, then it will be taking **a) the ethical action** by helping women to negotiate for salary equity and also **b) save money for Maryland private businesses and state agencies** by helping to keep employees satisfied with their jobs and by avoiding the potential billions in annual cost due employee turnover/voluntarily quitting their current job positions.

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