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Should Employers Disclose Salary Ranges to Job Candidates? New York City is the Latest to Say Yes.

More companies today disclose information to prospective and current employees on salary ranges. This movement has taken on more urgency, with New York City the latest jurisdiction to pass laws that require salary disclosure in job postings and advertisements.

New York City joined several other cities and states when it passed a new law that requires employers to disclose salary ranges for open jobs. The law was scheduled to take effect on May 15 but has been pushed back to November 1, 2022. It applies to any company with more than four employees in the city (who can be working from an office or remote).

In an environment where remote roles are more common and employers are recruiting from many areas of the country, a patchwork of local laws is getting increasingly difficult to navigate. There are several approaches companies can take depending on their culture and philosophy toward pay disclosure.

When a similar law was passed in Colorado in 2021, some employers chose not to explicitly advertise open jobs to prospects in the state. While nothing prevented these organizations from interviewing candidates applying from Colorado, they avoided having to disclose salary ranges by not advertising explicitly that candidates from the state could apply. Other firms posted jobs with very broad salary ranges that would be applicable across regions. And still others decided to embrace the spirit of the legislation by disclosing ranges for what the role would pay to candidates in Colorado — and in some cases, firms voluntarily expanded that disclosure to other states or regions where it was not required.

There are pros and cons to disclosing salary ranges. And, if a business decides to disclose ranges, there are also benefits and drawbacks as to how narrow or broad to make those ranges. Disclosing ranges level sets expectations from prospective job candidates right from the start. If ranges do not meet the expectations of a potential candidate, they likely won't apply for the role and waste their and the company's time. On the other hand, we have seen more so in the past two years how important the overall total rewards package is to prospective candidates and employees. Workers care about compensation of course, but other benefits like health, wellbeing, flexibility and mission-driven work also matter. If salary ranges are the first thing a candidate sees, they may not take time to learn about or fully appreciate the overall employee value proposition that the company is offering.

With the New York City law, employers "must state the minimum and maximum salary they in good faith believe at the time of the posting they are willing to pay for the advertised job, promotion or transfer opportunity."

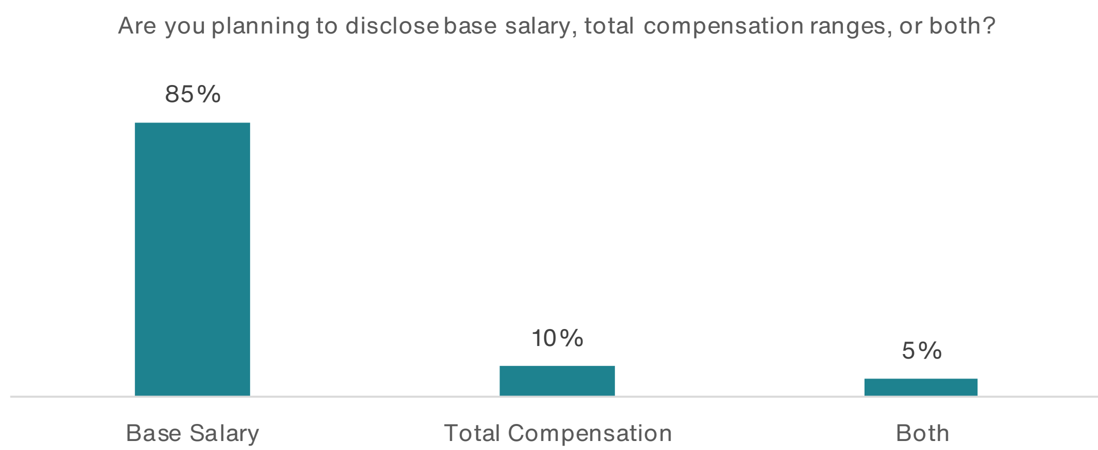
"Companies should disclose a range that keeps with the spirit of new law while not being too narrow that it turns off prospective candidates or too broad that it alienates current employees who may be earning less than the top end of the range," says Shana Gotlieb, an associate partner in Aon's Human Capital Solutions practice who focuses on advising financial services firms.

How are companies in New York City and elsewhere preparing?

Following the passage of the New York City law, we surveyed 132 of our financial services clients in March 2022 on how they are preparing for the regulation. The law requires disclosure of base salary and does not include other reward elements such as benefits, bonus and equity incentives. We should note that survey participants were disclosing their plans when they thought they needed to comply with the law by May rather than the delayed implementation of November. It is possible that some employers will take a step back and make modifications to their plans.

From the survey results, however, it's clear that most companies plan to disclose base salary ranges as is required. There were some participants that said they plan to expand disclosure to total compensation, which could be beneficial for promoting earning potential beyond base salary.

Figure 1 – Elements of Pay That Financial Services Firms Plan to Disclose



Source: Aon pulse survey of 132 financial services firms with employees in New York City; conducted in March 2022

Two-thirds of the respondents said they will provide training to their recruiters, HR business partners and department managers on how to comply with the new law. That training will be critical as 79 percent of respondents said they will be relying on HR and rewards professionals to provide the salary ranges rather than allow managers (or others in the organization) to adjust ranges on their own depending on the specific job.

In June 2021 we took a similar pulse survey of our large manufacturing clients to understand how they were addressing the new law in Colorado. At the time, about half were fully compliant with the Colorado law and, in some cases, said they were prepared to be compliant in other states that may pass similar laws. The majority of participants said they were planning to disclose ranges rather than exclude advertising to candidates in Colorado.

Figure 2 – U.S. States and Cities That Mandate Disclosure of Salary Ranges for Open Job Roles

State	Year Legislation Passed
California	2018 (disclosure is required if an applicant asks for it and after the first interview)
Cincinnati, Ohio	Passed in 2019, went into effect in 2020 (disclosure is required if an applicant asks for it and only after conditional offer is made)
Colorado	2021
Connecticut	2021
Maryland	2020
Nevada	2021
New York City	2022
Rhode Island	Passed in 2021; goes into effect in 2023
Toledo, Ohio	Passed in 2019, went into effect in 2020 (disclosure is required if an applicant asks for it and only after conditional offer is made)
Washington State	2019 (disclosure is required if an applicant asks for it and only after an offer is made)

Pay transparency addresses pay equity.

The movement to require companies to disclose their salary ranges for open jobs is just one part of the pay transparency trend. More than a dozen states have passed laws in recent years banning employers from asking a job candidate about their salary history. In fact, many of the cities and states that require disclosure of salary ranges for open jobs also prohibit a company from asking a job candidate about their salary history. This is intended to create a more level and fair pay-setting process. Women, for example, may be applying for a role and have a lower current salary because they spent time out of the workforce caring for young children or elderly parents. Yet, when they apply for a new role, that should not matter.

Some studies have found that women and minorities are less likely to negotiate base salaries or raises. Another study[1] found that people in these demographics may not be less likely to negotiate, but because of implicit or unconscious bias from hiring managers, these groups are less likely to be as successful in their salary negotiations.

Employers should offer the same range that is developed in line with the firm's pay philosophy and benchmarking regardless of a candidate's current compensation. Once a level playing field is

[1] https://ideas.darden.virginia.edu/a-hard-bargain-race-and-salary-negotiations

established, it also makes it easier to maintain pay equity. “This is a really good thing,” says Kelly Voss, a partner in Aon’s Human Capital Solutions practice. “Despite the additional focus needed to ensure that the salary ranges that an organization posts are appropriately market competitive, this provides another much-needed means for closing the gender pay gap.”

Other pay transparency laws (or sometimes as part of a larger pay transparency bill) require job postings to be shared with current employees or disclosure of salary ranges to employees of these open roles. Others require private companies report pay data by level to the government for aggregated purposes that the public can request access to (read more analysis of a law in Illinois that requires this here).

Is proactive disclosure a good idea?

As companies prepare to address the myriad of pay transparency laws across local and state governance in the U.S., it is important to take a holistic approach. Employers with workers located only in one jurisdiction may have a more straight-forward path to compliance. But with the spread of remote working, it’s more likely that organizations need to take a proactive approach to disclosing salary ranges for open roles and other moves that enhance pay transparency. Companies that take a proactive rather than defensive posture to new laws will enhance their preparedness and create a more cohesive and level playing field to attract talent.

Still, many firms are unsure of their next steps. Only 12 percent of financial services firms that we surveyed in March said they plan to disclose salary ranges in other locations in the U.S. that do not have this requirement. An additional 41 percent said they were unsure.

“Voluntary disclosure of salary ranges may not make sense for your organization, but given the momentum toward more pay transparency, itis worth having a conversation about it between HR and business leaders,” says Gotlieb.

Using pay disclosure as a launching pad for cleaning house.

As employers develop a strategy for responding to pay transparency laws, it’s also prompting many firms to undertake initiatives that impact salary ranges and how they are communicated to prospective and current employees. For example, our survey of financial services firms found that 41 percent are evaluating their formal salary grades or bands in response to the new law; 38 percent are considering conducting a pay equity analysis; 32 percent are looking at their job architecture; and 21 percent are looking into their formal employee value proposition.

“As companies lift the veil on salary ranges, it’s naturally causing them to evaluate what they offer and how they communicate their total rewards packages to prospective and current employees,” says Shelley Eisenhandler, a partner in Aon’s Human Capital Solutions practice.

Given the competitive job market, new pay disclosure laws and the spread of remote working, it’s a critical time for companies to review fundamental HR issues like career paths and the employee value proposition as well.

“Few companies can compete for talent purely on pay,” says Eisenhandler.

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