

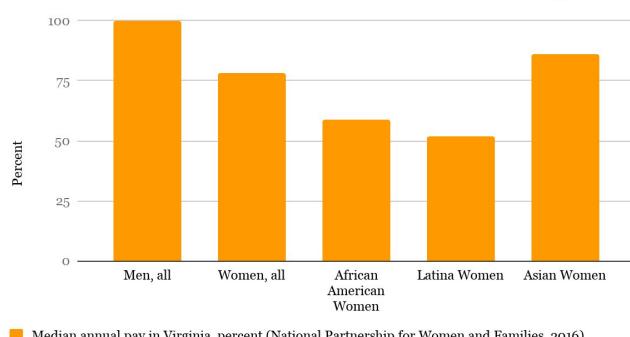
# Mind the Gap: Legislating Salary Transparency to Address Gender Pay Disparity in Virginia

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## Background on the Gender Pay Gap

Today, the average woman working full-time in Virginia is paid 78 cents for every dollar paid to the average man.<sup>1</sup> When considering the gender pay gap by race, the situation is more dire: African-American and Latina women are paid 59 and 52 cents for each dollar paid to men, respectively.<sup>2</sup> For the average Virginia woman, pay discrepancies amount to \$12,050 in annual lost income - enough to pay for 10.5 months of rent, 15.6 months of child care, or approximately one year of tuition for a public college or university.<sup>3</sup> Many determinants of the gender pay gap exist, including occupational choice and segregation, hours worked, education, and seniority. However, even when controlling for all of these variables, the gender pay gap persists.<sup>4</sup> It is clear that policy beyond the conventional mechanisms is needed to close the gender pay gap and promote women's economic empowerment. Such policy has a scope of stakeholders including workers of all genders, firms of all sizes, business interests, groups representing people of color, advocacy organizations, and labor unions.

Median Annual Pay of Full-Time Workers in Virginia



■ Median annual pay in Virginia, percent (National Partnership for Women and Families, 2016)

## Proposed Policy Solution: Pay Transparency

The Equal Pay Act of 1963 mandates that women receive equal pay for equal work; however, pay equity between men and women has not been achieved in workplaces. Research shows that a continuing lack of company transparency in salary standards and negotiation norms contribute to pay disparity. Men are more likely to negotiate salary than women, but studies show this negotiation gap disappears when information about other job applicants' negotiation experience is public information. One viable way to achieve pay equity is pay transparency. Virginia should adopt a pay transparency law that mandates companies with 15 or more employees publicly disclose salaries by occupation while at the same time respecting the personally identifiable information of employees.

## Support

The three main supporting arguments for the proposed policy are: 1) female workers would be able to know if their pay is substantially less than their male counterparts; 2) female workers would be empowered to exercise their rights under the existing equal pay laws; and 3) the company would enjoy the positive benefits of a more equal labor force.

Proponents of this policy can likely find support in external groups interested in women's issues and economic issues. Female voters, especially voters of color, are likely to support the policy because it directly impacts their wages. Women make up 50.8% of Virginia voters and people of color compose 37.6% of the voting population. Businesses, both large and small, could also support this policy, depending on their view on pay transparency. Many small businesses are already enacting similar policies with no state requirement. Many large businesses have also begun to voluntarily adopt similar policies and would likely support the mandate. Conservative voters could also support this policy because it could reduce the need for public program assistance in the future.

<sup>1</sup> National Partnership for Women and Families, 2016

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Council of Economic Advisors, 2016

## **Opposition**

The opposition would likely be made up of a few groups. The Virginia Chamber of Commerce has a history of opposing government regulation and an interest in protecting businesses from legal liability. Businesses that do not already have pay transparency might not pay their workers equally for equal work, and/or do not have a system in place for addressing issues of pay equity, may also be opposed due to their interest in avoiding legal liability. There are three arguments likely to be presented by the opposition:

**The Free Market:** Businesses may argue that mandating companies to publicly display average pay by gender and occupation violates the freedom of businesses to operate as they please. However, it ought to be noted that requiring pay to be publicly listed would likely help to ensure that all employees are being paid at the market rate.

**Equal Pay Litigation:** Businesses may be concerned about increased litigation for equal pay violations. However, this plan provides businesses with time to readjust salaries before publicly listing them, giving them the opportunity to protect themselves from litigation that would rise from pay transparency.

**Discouragement of Bonuses:** Some employees may be concerned that their employers may be less incentivized to give performance/productivity bonuses. However, this plan would allow for bonuses to be given so long as a justification was given. In addition, transparency regarding how bonuses are distributed would allow employers and employees to address discrepancies surrounding opportunities to pursue bonuses.

## **Building Public Support**

Given Virginia's complex political landscape, there are a variety of methods that should be used to rally support around this issue, both within the workforce and employers. The gender pay gap issue already has a lot of momentum among employees. Nearly six in ten women identify equal pay as one of the most important issues facing women in the workplace. This urgency transcends partisan lines with 70% of Republican women, 83% of Independent women and 88% of Democratic women saying they are more likely to vote for a candidate who supports equal pay for women.<sup>5</sup> This issue is also correlated to other labor-related issues, such as a living minimum wage. Studies show that states with lower minimum wages also have larger

gender pay gaps.<sup>6</sup> In addition, businesses themselves can and should rally around this issue for their own longevity. The Environmental Social Governance (ESG) criteria has grown to be a critical way consumers and investors view companies and has a tangible effect on company performance. Large companies such as Whole Foods, Dell and Salesforce have already incorporated social responsibility as a cornerstone of their growth models, which has shown positive outcomes on employee wellbeing and longevity. Lastly, extending this type of model to more rural areas of Virginia would help fight brain drain from these areas to urban areas that are often viewed as more progressive.

## **Bargaining Strategies**

The Commonwealth of Virginia should establish a task force in order to engage a wide variety of stakeholders, particularly the business community, in the specifics of the decision-making process. This task force would be responsible for collecting data and proposing the key thresholds and dates required for implementation. This feedback would inform the statewide implementation date, the time allotted for implementation, and company size threshold. The legislature would also make decisions regarding the availability of incentives, such as tax benefits or priority in government contracting, to encourage companies to have expedited implementation. Additionally, penalties for failure to comply must be determined.

## **Conclusion**

Virginia women, as well as all female-identifying individuals around the nation, deserve to receive the same salary as their male counterparts for the same work. By implementing pay transparency, companies are ensuring women's rights not only to detect gender pay disparities, but to negotiate for higher pay to support themselves and their families. After conducting extensive research, our team believes the benefits and supporting arguments outweigh the cost of implementing this policy.

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<sup>5</sup> National Partnership for Women & Families, 2016, p. 2.

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<sup>6</sup> Rachel West, 2016.