



Korn Ferry Executive Survey: New Laws Forbidding Questions on Salary History Likely Changes the Game for Most Employers

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- Sixty-Five Percent Say their Organization Will be Impacted by Laws but Only 19 Percent are Prepared -

LOS ANGELES--(BUSINESS WIRE)--Nov. 14, 2017-- A new survey by the Hay Group division of Korn Ferry (NYSE:KFY) shows that 65 percent of executives believe their organizations will be affected by new legislation aimed at closing pay gaps for women and other underserved populations. However, most don't believe the legislation will work.

A number of cities and states across the United States, including California, Massachusetts, Delaware and Oregon, are at various stages of enacting legislation that makes it illegal for employers to ask job candidates about their salary history and to use the information in making pay offers. New York City enacted legislation recently. Proponents say that basing pay on past wages can perpetuate the earnings divide.

Whether or not these new laws improve gender pay equity remains to be seen. In fact, the majority of executives polled (65 percent) believe that the law will not, or only to a small extent, actually improve the gender pay equity situation in their organization.

What is clear is that hundreds of thousands of employers will need to modify their talent screening and hiring processes. "Organizations have a great deal to gain by implementing a strategy and process aimed at improving the overall fairness and transparency of their reward and talent management programs," said Bob Wesselkamper, Global Head of Rewards and Benefits Solutions, Korn Ferry Hay Group. "This can help organizations create an employee value proposition that positions the company as a place where everyone can build careers and thrive."

In addition, hiring situations must be handled carefully as companies who violate the new rules can face substantial fines.

"As a result of this legislation, many employers will need to seek out [better market data](#) and conduct more rigorous analyses to determine what a job should pay versus relying on the crutch of a candidate's compensation history," said Tom McMullen, Senior Client Partner in Korn Ferry Hay Group's Reward and Benefits group. "Organizations need to ensure they have an effective job evaluation process that provides the right criteria and credibility for assessing the size of jobs."

Further action on pay equity is likely ahead, but few say they are ready. Only 19 percent of organizations say they are well prepared to handle the new laws once they go into effect. Many large organizations are indicating that they are likely to get ahead of the issue by changing their national policies instead of waiting for individual cities and states to pass measures. Nearly half of the executives polled (46 percent) said choosing to comply with the most stringent legislation is the likely mode of adapting to the new legislation, as opposed to complying to each local legislation. "It's a new game out there," said McMullen. "Few large organizations will be exempt. It's better to be prepared than to be caught by surprise on this."

About the Survey

The survey took place in July and August 2017 and includes responses from 108 companies from a broad range of industries and company sizes. A considerable proportion (63 percent) of respondents were either CHROs or other C-Suite executives

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