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The Effect of Salary History Bans on Labor Market Re-Attachment

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ABSTRACT

Starting in 2017, several states have passed salary history bans (SHBs) in the US. Intended to reduce wage disparities and promote equity in hiring, these laws prohibit employers from inquiring about job applicants' current or previous salary during the hiring process. Using data from the Current Population Survey (CPS) Displaced Workers Supplement (DWS), I examine the impact of these bans on unemployment duration, job mobility, weekly earnings, and gender pay gap among displaced workers, by employing a difference-in-differences approach that leverages the staggered implementation of SHBs across states. The empirical analysis shows that these policies increased unemployment durations by approximately 18 percent, with a stronger effect among women, and led to an 8 percent decline in the expected number of jobs changed. The policies also had a marginally significant negative effect on weekly earnings for previously underpaid women. These findings highlight the broader implications of transparency laws on labor market dynamics, particularly their potential effects on job-matching efficiency. I also develop a search and matching model to analyze the mechanisms through which salary history bans affect the labor market outcomes.

KEYWORDS Salary History Ban; Unemployment Duration; Wage Disparity

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