INSTITUTE FOR WOMEN'S POLICY RESEARCH

Fact Sheet

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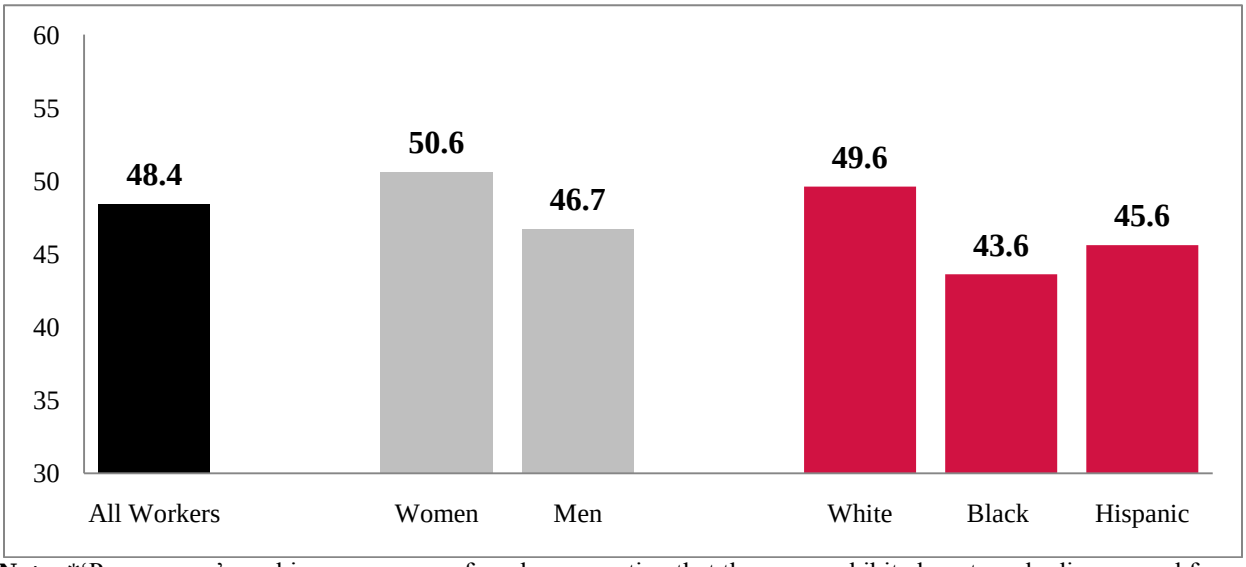
Pay Secrecy and Wage Discrimination

Nearly half of all workers nationally are either contractually forbidden or strongly discouraged from discussing their pay with their colleagues, according to results from the IWPR/Rockefeller Survey of Economic Security. Prohibiting or discouraging any discussion of wages in the workplace occurs at similar rates for men and women but is far much more widespread in the private than in the public sector. Such pay secrecy makes it difficult for women and men to find out whether they are paid fairly, and undermines attempts to reduce the gender wage gap.

Pay Secrecy by Gender, Educational Attainment, and Race/Ethnic Background

Respondents to the survey were given four options: the discussion of wages and salaries at work is 'formally prohibited, and/or employees caught discussing wage and salary information could be punished'; 'the discussion of wage and salary information is discouraged by managers'; 'wage and salary information can be discussed in the workplace'; 'wage and salary information is public.' Almost half of all workers (48.4 percent) responded that they were either prohibited or strongly discouraged from discussing their earnings with colleagues (Figure 1).

Figure 1. Pay Secrecy* by Gender and Race/Ethnic Background (Percent)



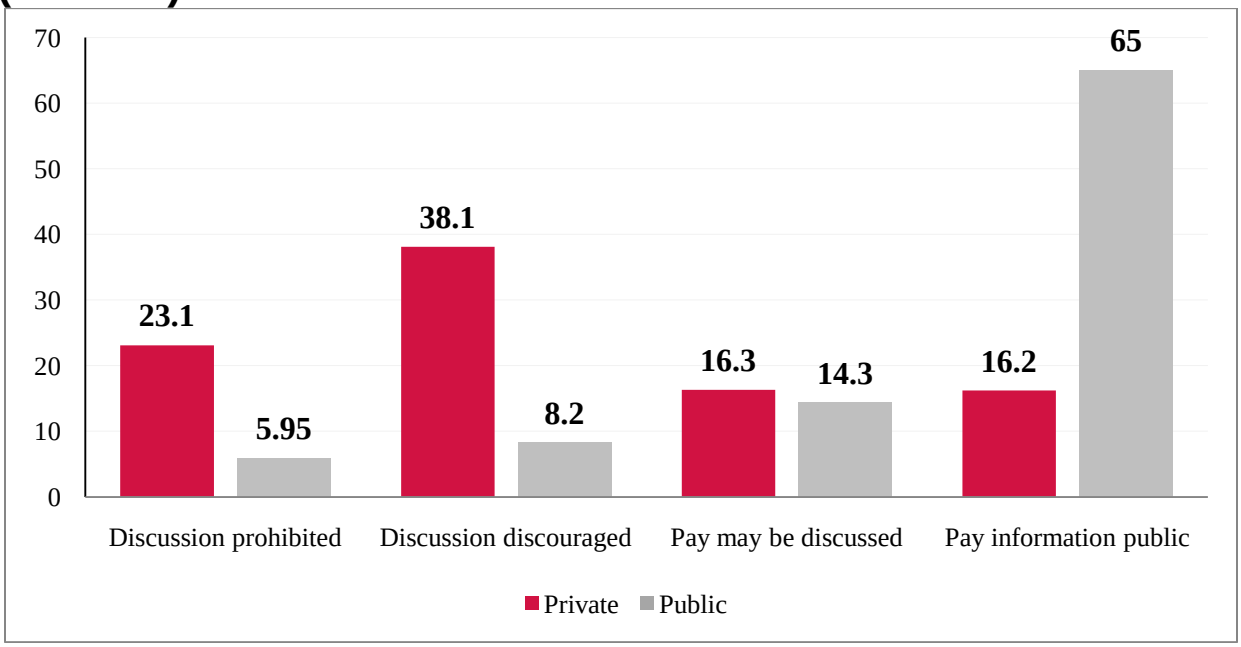
Note: *'Pay secrecy' combines responses of workers reporting that they are prohibited or strongly discouraged from discussing salaries and wages.
Source: IWPR/Rockefeller Survey of Economic Security, 2010.

The survey suggests that such pay secrecy policies apply to workers almost irrespective of their gender, race/ethnic or educational background. Women, white workers and workers with intermediate qualifications are somewhat more likely than other workers to report pay secrecy, but the differences are small.

Differences in Pay Secrecy between the Private and the Public Sector

Pay secrecy is pervasive in the private sector. Close to one-quarter of private sector workers (23.1 percent) report that discussion of wages and salaries is formally prohibited and an additional 38.1 percent of private sector workers report that such discussion is discouraged by managers (Figure 2). Prohibiting or discouraging pay discussions occurs less frequently in the public sector, where only one in six workers (16.2 percent) report restrictions on pay discussions. Indeed, almost two thirds of public sector workers (65 percent) report that pay information is publicly available.

Figure 2. Pay Policies for Private and Public Sector Workers (Percent)



Source: IWPR/Rockefeller Survey of Economic Security, 2010.

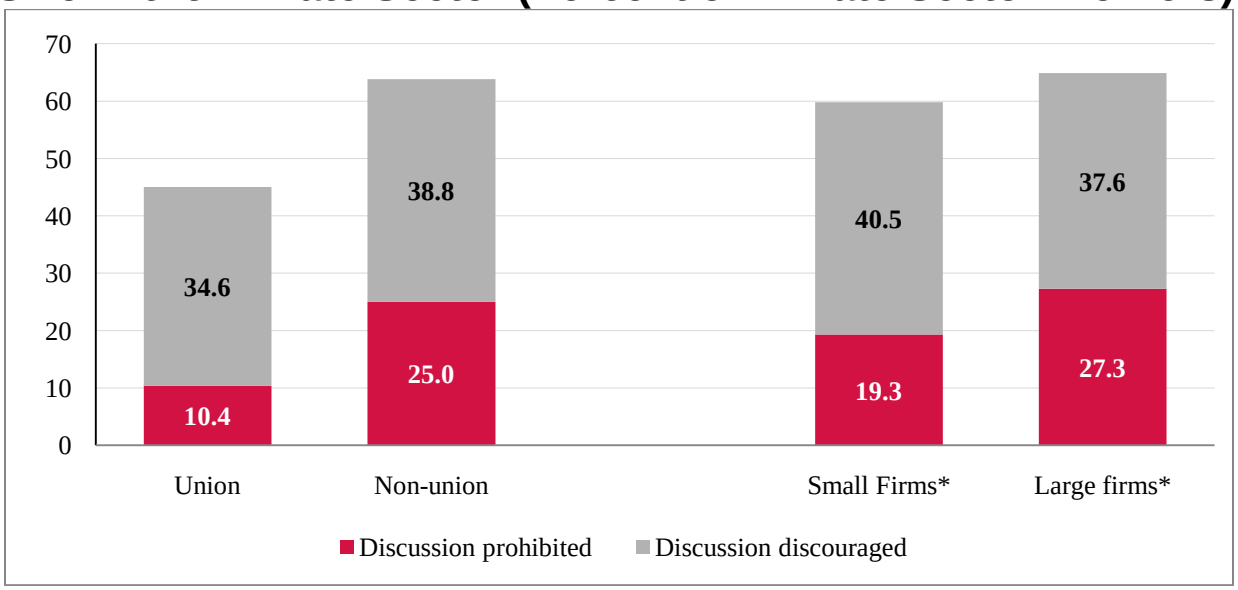
Unions and Pay Secrecy

Unions help to reduce pay secrecy. Half as many unionized workers compared with their non-union counterparts are either discouraged or prohibited from discussing their wages (27.1 percent compared to 53.5 percent, respectively). Although some of this difference is due to higher union membership rates in the public sector (where pay secrecy is rare), the difference also holds when private sector firms are analyzed. Union members in the private sector are two-fifths as likely to report the prohibition of wage discussions (10.4 percent) compared to their non-union counterparts (25 percent, see Figure 3).

Establishment Size and Pay Secrecy

Employees working for smaller private sector employers (establishments with fewer than 100 workers) are less likely to be contractually barred from discussing their wages with colleagues than workers in larger workplaces (19.3 compared to 27.3 percent; Figure 3). This result makes sense given that smaller employers typically have less formalized employment practices and are less likely to employ a human resource manager. Workers in small workplaces are, however, more likely to report the informal practice of managers discouraging wage discussions.

Figure 3. Pay Secrecy by Unionization and Establishment Size in the Private Sector (Percent of Private Sector Workers)



Note: Small establishments are those with fewer than 100 employees; large establishments have 100 or more employees.
Source: IWPR/Rockefeller Survey of Economic Security, 2010.

Pay Secrecy and the Gender Wage Gap

While there is no direct link between pay secrecy and pay inequality, some evidence suggests that pay transparency reduces the gender wage gap. The gender wage gap for all full-time workers, based on median annual earnings, is 23 percent (IWPR 2011). In the federal government, where pay rates are transparent and publicly available, the gender wage gap is only 11 percent (GAO 2009). It is estimated that discrimination (rather than differences in occupations, industry, experience or education) is responsible for about 40 percent of the wage gap (Blau and Kahn 2007). The Equal Pay Act of 1963 prohibits employers from paying women less than men (and vice versa) for work requiring equal skill, effort or responsibility, and Title VII of the Civil Rights Act of 1964 makes it illegal to discriminate in employment (including pay) on the basis of race, color, religion, sex, or national origin. But in practice, employer policies regarding pay secrecy, including threats of retaliation, make it difficult for workers to discover pay discrimination and effectively use these rights.

Methodological Notes

The data in this fact sheet are based on the IWPR/Rockefeller Survey of Economic Security. The national survey of 2,700 adults (aged 18 year and above) was performed for IWPR by Precision Opinion with funding from the Rockefeller Foundation from September through November 2010; 1030 respondents were employed at the time of the survey. The survey data were weighted to represent the U.S. population distribution using data from the 2009 American Community Survey, produced by the U.S. Bureau of the Census.

References

Blau, Francine D., and Lawrence M. Kahn. 2007. 'The Gender Pay Gap: Have Women Gone as Far as They Can?' *Academy of Management Perspectives*, 21,1: 7-23.

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United States Government Accountability Office (GAO). 2009. *Women's Pay: Gender Pay Gap in the Federal Workforce Narrows as Differences in Occupation, Education, and Experience Diminish.* Report to Congressional Requesters GAO-09-279 <http://www.gao.gov/new.items/d09279.pdf> (accessed June 7, 2011)

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