Tom McLaughlin features in Ignites Europe – questions on salary history may become a thing of the past

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Questions about prospective employees' previous salary are common during financial services firms recruitment processes, but they could be on their way out. Siobhan Riding of Ignites Europe writes that State Street Global Advisors and MFS are

closing the door on the practice as part of efforts to reduce the gender pay gap that exists in financial services.

Will other asset managers and financial services firms follow suit?

The thinking behind this is that employers use their knowledge of previous salary and bonus information as a reference point and bargaining chip when making compensation offers to new recruits. But, this can perpetuate the disparity in pay between male and female executive's earnings. The upshot is that women are likely to be paid a lower starting salary and bonus by their new employer. This could lead to women trying to catch up with their male peers' earnings throughout their professional life, and the income disparity following them into retirement.

The ban on asking about previous salaries has been implemented in certain US states such as New York and Massachusetts, but in a bold move, State Street and MFS are voluntarily choosing to extend it across their international businesses in an effort to increase wage transparency and bridge the gender wage gap.

Tom McLaughlin, specialist employment lawyer at BDBF LLP, says banning employers from asking about pay before they make an offer of employment is a way of levelling the playing field. It forces the employer to make an offer on the basis of what it is prepared to pay the individual, rather than what it thinks it needs to pay to entice the individual away from their current job.

There may be more reticence in implementing the ban in European financial services firms or entities. There are stricter compensation rules, whereby firms need to know the detail of previous earnings in order to buy out a bonus or unvested shares.

Tom comments that there are ways around this, as firms could

make an offer of employment first, after which point they could offer the buy out.

Tom McLaughlin is a senior associate specialising in advising senior executives and businesses on severance issues for executive and c-suite employees, employee competition, the protection of confidential information and post-termination restrictions. He regularly advises overseas businesses wishing to establish a market presence in the UK. Tom can be contacted on tommclaughlin@bdbf.co.uk or on 0203 828 0366.

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