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# Stop Asking Candidates for Their Last-Drawn Salary



By [Mark Mortensen](#) , INSEAD

## **A holistic approach does more to ensure the right fit and boost employee well-being and retention.**

The practice of asking candidates to disclose their last-drawn salary to prospective employers has long been one of the more contentious aspects of the hiring process. While this remains a common request across many countries, [certain states](#) in the United States - including California and New York - have made it illegal. The European Union Pay Transparency Directive, which was established in early 2023, also [prohibits employers](#) from inquiring about a candidate's pay history.

When speaking with people in the [job market](#) about this topic, I find it often helps to keep in mind the simple calculus involved from both sides. To put it bluntly, employees are trying to maximise their salary while employers are trying to minimise it. Both parties have boundaries ([BATNAs](#) in negotiation terms) - employees typically won't take a job that offers less than they can get elsewhere and employers won't offer more than the value they think the candidate can bring to the organisation.

As such, there is no reason why a company would need to ascertain what a candidate was paid in their previous role when determining what salary to offer them. The budget for the position would already have been allocated and would be based on what the company is able to afford and benchmarked against competitors and current market rates.

## **Reasons for the practice**

So, why do employers continue to ask candidates for their last-drawn salary? There are a number of reasons. The most obvious is that it provides an easily obtainable – though not necessarily accurate – reference point to gauge the value that an individual brings to an organisation. A value that can often be hard to quantify.

This is compounded by the fact that we are all cognitive misers. Just like every other worker, job recruiters are operating under pressure and facing deadlines and demands. If they can find a way to avoid having to do complex and time-consuming calculations by taking a candidate's last-drawn pay and simply bumping up that figure by a standard 10 percent, why wouldn't they?

Before we place the blame squarely on recruiters, we need to recognise the powerful role of cultural norms. As someone who has studied culture for decades, I can attest to how difficult it is to change a prevailing norm or process, even in the face of good evidence to do so. Right or wrong, the practice of requesting candidates' last-drawn salaries has been around for years, and that makes it challenging to change.

Put yourself in the shoes of a recruiter. Being aware that senior management wants to know the organisation is not “overspending” on new hires and that senior leadership has been “trained” by experience to expect to see the practice as legitimate evidence thereof, recruiters may feel pressure to continue it.

But if recruiters really feel impelled to ask candidates to cough up a number, then a better approach would be to request their pay expectations for that specific role. This is more relevant than asking for their prior salary, which

may have been undeservedly high or low due to a myriad of factors including the market conditions at the time they were hired, industry norms and whether they were working at a large multinational or small family firm.

The ideal approach would be to move to a model in which both employers and candidates come to the interaction armed with their salary expectations and evidence supporting those expectations. Just as employers should not peg a newcomer's salary to their previous earnings without asking how that role compares in terms of tasks, responsibilities and demands, candidates should not benchmark their expected salary to what someone else is getting without considering the same questions.

## **Thinking beyond numbers**

However, I would caution that this whole discussion around last-drawn salary is missing the bigger picture. By effectively reducing the decision to join an organisation to a number, it ignores the reality that individuals don't accept a new job based on salary alone.

In my work with Amy C. Edmondson from Harvard Business School, we have been measuring and studying an integrated employee value proposition (iEVP) – a set of factors that when considered holistically encapsulates what individuals want from their employment experience. What we have learned is that the iEVP includes four core factors.

### **1. Material offerings**

This encapsulates all the material agreements provided to employees in return for their services. Other than salary, this includes elements such as commuting or teleworking subsidies, the physical office space, technical equipment, scheduled working hours and other perks that can range from the trivial (e.g. free coffee) to more substantial (e.g. daycare).

### **2. Growth and development**

This is the ability for employees to increase their value in the labour market and progress in their careers through their job. These opportunities occur through the likes of on-the-job experience, work and staffing practices, training and promotions.

### **3. Connection and community**

It is vital for employees to feel like they are part of a community at their workplace and are appreciated and valued for who they are, and that there is a sense of mutual accountability with their co-workers. This fulfils our need for connection as innately social beings and recognises that our experience of work is inextricably linked to social relationships.

### **4. Meaning and purpose**

This is about the company's aspirational reasons for existing and whether these align with an employee's own priorities around how they can achieve impact, benefit society and fulfil their purpose. This answers the core question of *why* employees do the work that they do and why it matters to them.

## **Benefits for both candidates and organisations**

These four elements are not independent but operate as an integrated whole. When an organisation delivers across these interdependent parts, we see increases in both engagement and performance, which clearly benefits both employees and employers alike. The components of the iEVP also align with the drivers of well-being highlighted in the United States Surgeon General's **framework**, which was issued to help companies build workplaces that support the **well-being of their workers**.

Taking the iEVP into account and adopting a balanced and holistic approach during the entire hiring process can shift the focus away from transactional discussions about a candidate's last-drawn salary to conversations that are more beneficial in helping both sides determine whether they really are a good match.

For candidates, it can help you look beyond salary and monetary aspects to consider other things that are just as important in determining whether you would ultimately feel fulfilled in the role. Furthermore, it increases the likelihood that you end up at an organisation and in a role that address all of your needs – not just gives you a decent pay cheque at the end of each month.

For companies, it can make your offer to candidates more attractive and allow you to overcome any potential limits in salary offerings. In the longer term, it can also help ensure greater employee loyalty to your organisation, as the individual would need more than just a higher salary to get them to jump ship. This can help avoid a race to the bottom in a salary bidding war with other organisations.

Although implementing the iEVP may require more effort than framing the discussion around material aspects like last-drawn salary, it can go a long way towards ensuring the right fit, boosting employee well-being and retention, and fostering a positive organisational culture.

*This article is adapted from a [commentary](#) published in The Straits Times.*

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#### **About the author(s)**

**Mark Mortensen** is an Associate Professor of Organisational Behaviour at INSEAD. For more than 20 years he has helped leaders understand and adapt to how work is changing -- currently with a focus on remote and hybrid work and the changing employee value proposition. At INSEAD he directs numerous company-specific executive education programmes, including **Emerging Leaders in a Digital Age**, and teaches the OB core in the MBA and EMBA.