PAY EQUITY LEGISLATION IN CANADA

Pay equity is a compensation practice that is based on the value of work performed, regardless of the gender of employees. An employer subject to pay equity legislation cannot establish or maintain a difference between the wages paid to male and female employees who are performing work of equal or comparable value.

Studies have shown that the majority of Canadian women are concentrated in low-paid, predominantly female fields. Despite changes in labour force participation, marital and family status, training, and education, the effects of the historical undervaluation of work done by women are evident today in a persistent wage gap between women and men.¹ Pay equity legislation is intended to ensure that employees who work in jobs that are historically female-dominated, and therefore undervalued, receive compensation determined by the value of their work and not by sex discrimination.

Pay equity legislation differs from equal pay legislation in two key respects:

- Pay equity legislation prohibits wage discrimination where employees are performing work of equal or comparable value, whereas equal pay legislation prohibits it in respect of the same or substantially similar work. Pay equity legislation, therefore, has a broader application as it can redress wage discrimination that exists where women perform work that is different from that of men.
- 2. Pay equity legislation is proactive in that it requires an employer to determine whether sex discrimination in compensation exists in his/her enterprise and, if so, to take the action that is necessary to eliminate it. The *employer* has the onus of identifying discriminatory wage gaps. In contrast, equal pay legislation is triggered by the filing of a complaint by an *employee* (The exception to this is the pay equity legislation of the Federal jurisdiction, which is complaints-based like equal pay legislation).

An employer subject to *proactive* pay equity legislation must follow the process set out in the legislation in order to achieve pay equity, which includes the following steps:

- identifying male-dominated and female-dominated job classes in the enterprise, using the criteria specified in the legislation;
- determining the value of jobs, using a gender-neutral evaluation system and the criteria specified in the legislation;
- comparing male-dominated and female-dominated job classes to identify any disparities in compensation;
- determining whether any differences in compensation are justifiable in accordance with the criteria specified in the legislation; and
- preparing a pay equity plan or agreement that specifies how differences in compensation will be remedied, if they cannot be justified.

Furthermore, where employees are part of a bargaining unit, the employer and bargaining agents are required to negotiate in good faith to reach an agreement at each step of the process within the prescribed time limits.² However, the employer is responsible for implementing the wage adjustments necessary to achieve pay equity in a timely manner. In each jurisdiction with proactive pay equity legislation (i.e., all the provincial jurisdictions with pay equity legislation), there is provision for some form of dispute-resolution, such as arbitration, where the employer and the bargaining agents cannot come to an agreement as required within the time limitations.

Pay equity legislation is currently in force in Manitoba, New Brunswick, Nova Scotia, Ontario, Quebec, Prince Edward Island and the Federal jurisdiction.³ The *Canadian Human Rights Act* of the Federal jurisdiction applies to the Federal public service and Federally-regulated undertakings. In Quebec, the *Pay Equity Act* applies to an employer (in either the public⁴ or private sector), who has at least 10 employees, as determined in accordance with the legislation. However, a large or mid-sized employer has more extensive obligations under the *Pay Equity Act* than does a small-sized employer.⁵ In Ontario, the *Pay Equity Act* applies to the public sector and to an employer in the private sector with at least 10 employees, as determined in accordance with the legislation. The *Pay Equity Act* in Manitoba, New Brunswick, Nova Scotia and Prince Edward Island applies only to the public sector, however defined.

Identifying Male-Dominated and Female-Dominated Job Classes

Each "job class" in the employment of the employer must first be identified in accordance with the provisions of the applicable pay equity legislation. The parties must then determine whether a job class is male or female-dominated in accordance with the criteria specified in the legislation. For instance, the *Pay Equity Act* of Quebec provides that a job class can be considered predominately male or female under one of the following circumstances:

- at least 60% of the positions in that class are held by the employees of the same sex;
- the difference between the rate of representation of women or men in the job class and their rate of representation in the employer's total workforce is considered significant;
- the historical incumbency of the job class in the enterprise indicates that it is predominantly female or male; or
- if, due to gender stereotypes of fields of work, the job class is commonly associated with women or men.

In addition, under the Regulation respecting pay equity in enterprises where there are no predominantly male job classes, if an enterprise does not have predominantly male job classes, the job classes of "foreman" or "maintenance worker" (as described in the Regulation) must be used for the purposes of identifying predominantly male job classes and determining their typical hourly rates of pay.

Determining the Value of Jobs

Value of Work

In assessing the value of work, the employer (and the bargaining agent(s) for the employees, if any) are required to consider the skill, effort and responsibility required and the conditions under which work is performed. In the Federal jurisdiction, the *Equal Wages Guidelines*, 1986 (Guidelines) under the Canadian Human Rights Act specify the factors that must be considered in assessing the skill, effort and responsibility required in work and the conditions under which work is performed. For instance, in assessing the skill required for the performance of work, the *Guidelines* provide that intellectual and physical qualifications acquired by experience, training, education or natural ability must be considered.

Compensation

The manner in which compensation is calculated for a job varies between jurisdictions. For example, the *Pay Equity Act* of New Brunswick requires equality of "pay", which is defined as straight-time wages and salary (calculated on an hourly basis for the purpose of making comparisons between female and male job classes). In contrast, the *Pay Equity Act* of Prince Edward Island includes *all* forms of pay and benefits paid or provided, directly or indirectly, to or for the benefit of an employee.

Comparison of Male and Female-Dominated Job Classes

As part of the process of achieving pay equity, male and female job classes must be compared (in terms of pay and the value of work performed) in order to identify any disparities in compensation. In Ontario and Quebec, the pay equity legislation provides for several comparison methods that can be used for this purpose.

The *Pay Equity Act* of Ontario provides for three methods of comparison of male and female job classes: (1) job-to-job; (2) proportional; and (3) proxy.

- *Job-to-Job*: Under the job-to-job method of comparison, each female job class is compared to a male job class of equal or comparable value.
- Proportional: Under the proportional method of comparison, an employer examines the relationship between the value of work performed and the pay received by male job classes, and applies this relationship to set the appropriate pay for female job classes. An employer must use this method where it is not possible to compare a female job class with a male job class in the same establishment using the job-to-job method. Even if the job-to-job method is possible, an employer can use the proportional method; however, the compensation adjustment made for members of the

female job class cannot be less than that which would be indicated by the job-to-job method.

Proxy: A public sector employer can apply to the Pay Equity Office8 established under the Act for an order that he/she is a "seeking employer", and therefore eligible to use the proxy method of comparison, where a female job class cannot be compared with a male job class using either the job-to-job or proportional methods of comparison. The seeking employer must select the proxy establishment to be used for the purposes of comparison, in accordance with the Proxy Method of Comparison Regulations. Under the proxy method of comparison, unless the employer and bargaining agent agree otherwise, a "key" female job class in a bargaining unit of the employer must be compared to the female job class or group of female job classes in a proxy establishment whose duties and responsibilities are similar to those of the key class. (A "key" female job class is the female job class that has the greatest number of employees and any other female job class whose duties are essential to the delivery of service that the employer provides). The comparison must be carried out as if the female job classes in the proxy establishment were male job classes of the seeking employer. Finally, the other female job classes of the seeking employer must be compared with the key female job classes of the seeking employer as if these key classes were male job classes of the seeking employer. Comparisons must be carried out using the proportional method of comparison. To facilitate the comparison process, the Act provides that a seeking employer can request and obtain certain information from a potential proxy employer (e.g. information about the duties and responsibilities of each female job class whose duties and responsibilities are similar to those of the seeking employer).

Furthermore, under the *Pay Equity Act* of Quebec, differences in compensation can be assessed on an *overall* or *individual* basis. A method of comparison cannot be used, however, if it excludes a predominantly female job class.

- Valuation on an overall basis: Under this method, each predominantly female job class is compared with the earning curve of all predominantly male job classes.
- Valuation on an individual basis: Valuation is effected according to the "job-to-job" method of comparison (i.e. the comparison of a predominantly female job class with a predominantly male job class that performs work of equal value). Where there are two or more predominantly male job classes of equal value but with different remuneration, comparisons must be made on the basis of the average remuneration for these job classes. However, where the job-to-job method of comparison cannot be applied to a predominantly female job class, its remuneration must be valuated

proportionately to the remuneration of the predominantly male job class that has the value closest to its value.

Factors that Justify a Difference in Compensation

Pay equity legislation requires that male and female job classes be compared in order to identify differences in compensation. In each jurisdiction with pay equity legislation, with the exception of Manitoba, the legislation stipulates factors that justify differences in compensation. Examples of such factors are a seniority system, a merit system, or a skills shortage. Where a difference in compensation cannot be justified under the legislation, an employer must implement the compensation adjustments that are necessary in order to achieve pay equity. However, an employer cannot, in order to achieve pay equity, reduce the wages payable to an employee.

Pay Equity Plans in Ontario and Quebec

1. Content of Pay Equity Plans

Where differences in compensation cannot be justified, the employer and the bargaining agents (if any) must decide how compensation will be adjusted to achieve pay equity. Normally, the quantum, allocation and timing of wage adjustments must be specified in a pay equity plan or agreement between the parties. However, the pay equity legislation of Ontario and Quebec provides that more detailed information must be included in a pay equity plan. Under the *Pay Equity Act* of Ontario, a pay equity plan must

- Identify the establishment to which the plan applies; Identify the femaleand male-dominated job classes which formed the basis of the comparison;
- Describe the gender-neutral comparison system used; Set out the results of the comparison;
- Identify the positions and job classes in which differences in compensation are permitted under the Act, with reasons for relying on the exceptions under the Act;
- Describe how the compensation will be adjusted to achieve pay equity for all female job classes for which pay equity does not exist; and
- Set out the date on which the first adjustments in compensation will be made under the plan, within the prescribed time limits, and provide for the minimum adjustments required by the Act.

The Act requires additional information in respect of a pay equity plan prepared under the proportional or proxy methods of comparison.

In Quebec, only employers with at least 50 employees are required to prepare a pay equity plan.¹⁰ The *Pay Equity Act* requires that a pay equity plan include the following details:

- An identification of the predominately female and male job classes in the enterprise;
- A description of the method and tools selected to determine the value of job classes and the development of a value-determination procedure;
- The determination of the value of the job classes, a comparison of the job classes, the valuation of the differences in compensation and the determination of the required adjustments; and
- The terms and conditions of payment of the adjustments in compensation.

Moreover, the employer must ensure that each element of the pay equity plan does not discriminate on the basis of gender and is applied on a gender-neutral basis.

2. Employee Participation

Normally, employees are involved in the establishment of a pay equity plan or agreement through their bargaining agents. However, in Ontario and Quebec, employees are afforded additional opportunities to participate in the establishment of a pay equity plan. Under the *Pay Equity Act* of Ontario, an employer who prepares a pay equity plan in respect of employees outside of a bargaining unit must post the plan in the workplace within the prescribed time limit. Such employees are accorded the right to submit comments to the employer and/or file an objection to the plan. Similarly, under the *Pay Equity Act* of Quebec, the results of the pay equity process must be posted in the workplace in prominent places easily accessible to the employees concerned. Any affected employee is accorded the right to request further information and/or to make observations concerning the results.

Moreover, in Quebec, an employer of at least 100 employees is required to establish a pay equity committee consisting of a minimum number of employee representatives in order to enable employees to take part in the establishment of a pay equity plan. The Act contains detailed provisions regarding the establishment and governance of a pay equity committee, including the following:

- A pay equity committee must have at least three members. At least two-thirds of the members must represent the employees. At least half of the employee representatives must be women. In addition, the designation of the employee representatives must be effected so as to ensure representation of the major predominantly female and the major predominantly male job classes. Employee representatives are designated by the certified association of employees (where applicable) and/or the employees themselves, in accordance with the Act.¹³ The other members of the committee represent, and must be designated by, the employer.
- The representatives of the employees as a group and the representatives of the employer as a group have one vote, respectively, within the pay

equity committee. If, on a given question, a majority decision is not reached among the representatives of employees, the employer must decide the question.

- The pay equity committee must establish its own operating rules, including those governing the holding of meetings.
- The employer must disclose to the members of the committee the information necessary to establish the pay equity plan, and facilitate the collection of necessary data. The members of the pay equity committee are bound to respect the confidentiality of any information and data obtained.
- The employer must provide the required training to each employee who, as a member of a pay equity committee, takes part in the establishment of a pay equity plan.
- An employee who is a member of a pay equity committee also has the right to absent himself/herself from work, without loss of pay, for the time required to attend training sessions and meetings of the committee and to perform any committee task.
- A pay equity committee is prohibited from exhibiting gross negligence or acting in bad faith or in an arbitrary or discriminatory manner in establishing a pay equity plan.

Limitations on Wage Adjustments

The pay equity legislation of Manitoba, New Brunswick, Ontario, and Prince Edward Island imposes limitations on the amount of wage adjustments that an employer can make, or is required to make, to implement pay equity.

- In Manitoba and New Brunswick, an employer cannot be required to implement wage adjustments amounting to more than 1% of his/her payroll over the preceding 12 months and after four successive years of implementing pay equity wage adjustments.
- In Ontario, except for the purpose of making retroactive pay equity adjustments or under an order made pursuant to regulations, an employer is not required to increase compensation that is payable under his/her pay equity plans in any year by an amount greater than 1% of his/her payroll during the preceding year. 14
- Finally, in Prince Edward Island, subject to certain exceptions, ¹⁵ an employer cannot make pay adjustments in any year in an amount in excess of 1% of his/her total payroll for the immediately preceding year.

Deemed Achievement of Pay Equity

In Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island and Quebec, the legislation stipulates when pay equity will be deemed to have been achieved by an employer. For example, under the *Pay Equity Act* of Manitoba, pay equity will be deemed to have been achieved when female-dominated classes are assigned a schedule or grade of pay that is equal to the average or

projected average schedule or grade of pay of male-dominated classes who are performing work of equal or comparable value.

Enforcement (Complaints)

The legislation of Ontario, Quebec and Prince Edward Island provides for the filing and resolution of complaints under pay equity legislation. For example, the *Pay Equity Act* of Prince Edward Island provides that during the time prior to the achievement of pay equity, an employer or a bargaining agent can file a complaint with the Commissioner of Pay Equity appointed under the Act ("Commissioner") that an employer or bargaining agent has

- failed to negotiate in good faith any agreement required by the Act;
- failed to implement any wage adjustment required by the Act;
- purported to implement a job evaluation plan or system or pay equity agreement that is not gender-neutral or that otherwise does not comply with the Act;
- engaged in a discriminatory practice; or
- otherwise failed to carry out any obligation to implement pay equity or contravened the Act or any order of the Commissioner.

The Commissioner can investigate such a complaint and make an order that he/she considers appropriate to ensure compliance with the Act. An order of the Commissioner is enforceable as if it were an order of the Supreme Court.

Pay Equity in the Federal Jurisdiction

As noted above, the pay equity legislation of the Federal jurisdiction is complaints-based rather than proactive. The *Canadian Human Rights Act* provides that it is a discriminatory practice for an employer to establish or maintain a difference in wages between male and female employees employed in the same establishment who perform work of equal value, except where the difference in wages is based on a prescribed reasonable factor. An individual or group of individuals can file a complaint with the Canadian Human Rights Commission established under the Act ("Commission"), where he/she/the group has reasonable grounds to believe that a person is engaging or has engaged in a discriminatory practice. The Commission can also initiate a complaint itself. Finally, an inspector under the *Canada Labour Code* can notify the Commission or file a complaint of an alleged discriminatory practice. The *Equal Wages Guidelines*, 1986 (Guidelines) under the *Canadian Human Rights Act* set out the following rules with respect to complaints:

- Where a complaint is filed by or on behalf of an individual who is a member of an identifiable occupational group, the composition of the group according to sex is a factor in determining whether the practice complained of is discriminatory on the ground of sex.
- Where a complaint alleging different wages is filed by or on behalf of an identifiable occupational group, the group must be predominantly of one

sex¹⁷ and the group to which the comparison is made must be predominantly of the other sex.

The Commission is not required to deal with a complaint that is based on acts or omissions which last occurred more than one year before the receipt of the complaint, or such longer time that the Commission considers appropriate in the circumstances. If the complaint is receivable and the Commission decides to deal with it, it can designate an investigator to conduct an investigation. As soon as possible after the conclusion of his/her investigation, an investigator is required to submit a report on his/her findings to the Commission. Upon receipt of the report, the Commission can (depending on the circumstances) request the Chairperson of the Canadian Human Rights Tribunal ("Chairperson) to initiate an inquiry, dismiss the complaint or refer the complaint to another appropriate Furthermore, at any stage after the filing of a complaint, the authority. Commission can request the Chairperson to hold an inquiry where it is satisfied that, having regard to all the circumstances of the complaint, that an inquiry is warranted. Provision also exists for the appointment of a conciliator to attempt to settle the complaint.

The *Guidelines* provide that where an employer relies on a system in assessing the value of work performed by employees employed in the same establishment, that system must be used in the investigation of any complaint alleging a difference in wages, provided that it meets the following criteria:

- It operates without any sexual bias;
- It is capable of measuring the relative value of work of all jobs in the establishment; and
- It assesses skill, effort, responsibility and working conditions in accordance with the *Guidelines*.

Furthermore, the *Guidelines* stipulate how male and female-dominated occupational groups must be compared if a complaint is filed. Under the *Guidelines*, if a direct comparison of the value of the work performed and wages of the occupational groups cannot be made, these can be compared indirectly. In this case, the wage curve of the comparison occupational group must be used to establish the difference in wages, if any, between the complainant group and the comparison group.

At the conclusion of an inquiry, a complaint must be dismissed where it is found not to be substantiated. However, if it is found that the employer engaged in a discriminatory practice, a number of orders can be made against him/her under the Act, including the following:

 That he/she cease the discriminatory practice and take measures, in consultation with the Commission, to redress the practice or to prevent the same or a similar practice from occurring;

- That he/she make available to the employee, on the first reasonable occasion, the rights, opportunities or privileges that are or were denied as a result of the discriminatory practice;
- That he/she compensate the employee for any wages that he/she was deprived of and any expenses that he/she incurred as a result of the discriminatory practice;
- That he/she compensate the employee for any pain and suffering he/she suffered as a result of discriminatory practice, up to a maximum of \$20,000; and/or
- That he/she pay the employee compensation of up to \$20,000 if it is found that he/she engaged in the discriminatory practice wilfully or recklessly.

Where an adjustment to a complainant's wages is necessary, the *Guidelines*, provide that where at least two other employees of the same establishment perform work of equal value, the weighted average wage of those employees must be used to calculate the required adjustment. However, this provision only applies with respect to a complaint filed by or on behalf of an individual.

Labour Law Analysis International and Intergovernmental Labour Affairs Labour Program, Human Resources and Social Development Canada July 2006

¹From *Pay Equity: a New Approach to a Fundamental Human Right*, Federal Pay Equity Task Force, September 2004.

³Note that there are administrative pay equity programs that apply to the public sector in Newfoundland and Labrador and British Columbia.

⁶ For example, the *Pay Equity Act* of Manitoba defines a "class" or "class of positions" as a group of positions involving duties and responsibilities that are so similar that the same or similar qualifications can reasonably be required for, and the same schedule or grade of pay can reasonably be applied to, all positions in the group.

² The pay equity legislation of the Federal jurisdiction does not require the parties to negotiate and implement pay equity within prescribed time limits, as it is complaints-based. It is discussed separately in this document under the heading, "Pay Equity in the Federal Jurisdiction".

⁴ Under the *Pay Equity Act*, this is composed of the "public service enterprise" (which includes government departments and bodies and persons other than the National Assembly whose personnel is appointed in accordance with the *Public Service Act*) and the "parapublic sector enterprise" (which includes colleges, school boards and institutions to which the *Act respecting the process of negotiation of the collective agreements in the public and parapublic sectors* applies).

⁵ An employer whose enterprise employs 100 or more employees must establish a pay equity plan that is applicable throughout the enterprise and establish a pay equity committee that includes a minimum number of employee representatives. An employer whose enterprise employs at least 50 but less than 100 employees must establish a pay equity plan, but is not required to establish a pay equity committee. Finally, an employer whose enterprise employs less than 50 employees is required to determine the adjustments required to afford the same remuneration, for work of equal value, to employees holding positions in predominantly female job classes as to those holding positions in predominantly male job classes. He/she must ensure that the process does not discriminate on the basis of gender. However, he/she is not obliged to establish a pay equity plan.

⁹ In the Federal jurisdiction, there is no requirement to prepare a pay equity plan or agreement.

The pay equity committee is responsible for the following tasks (among other things): identifying predominantly female and male job classes; selecting the method for determining the value of job classes; determining the tools and devising the procedure to be used to determine the value of job classes; determining the value of each predominantly male and female job class using the value determination method selected; comparing these classes so as to valuate the differences between them; and determining the adjustments required to eliminate differences in comparison.

In an enterprise of at least 50, but fewer than 100, employees, the employer is responsible for establishing a pay equity plan. However, at the request of a certified association representing employees, the employer and the certified association can *jointly* establish one or more pay equity plans applicable to those employees in one or more establishments of the enterprise. Where an employer and certified association(s) jointly establish a pay equity plan, they have the same obligations as those imposed on a pay equity committee in this respect.

Where a pay equity committee or certified association is involved in the establishment of a pay equity plan, the employer is required to consult it in determining the terms and conditions of payment of adjustments in compensation. Finally, the *Pay Equity Act* prohibits an employer, certified association or member of a pay equity committee from acting in bad faith, in an arbitrary or discriminatory manner or exhibiting gross negligence, in the establishment of a pay equity plan. ¹² Since there can only be one pay equity plan in the "parapublic sector enterprise," as defined, for all employees represented by certified associations, special rules apply to the establishment of the pay equity committee that is responsible for this plan (e.g. the committee must have 16 members, 11 of whom must represent the employees and five of whom must represent the employer). The "parapublic sector enterprise" includes colleges, school boards and institutions to which the *Act respecting the process of negotiation of the collective agreements in the public and parapublic sectors applies.*

¹³In the private sector, employees who are subject to a pay equity plan, but are not represented by a certified association, can designate members of the pay equity committee in accordance with the Act. In contrast, in the public and parapublic sector enterprises, as defined, a certified association (or a group of employees' associations) that represents employees in a job class to which a pay equity plan applies also represents, for the purposes of that plan and until it has been completed, all the employees in that job class who are not covered by a certification. Moreover, any adjustments in compensation and the terms and conditions of payment of compensation adjustments set out in the plan are the only ones applicable to all such employees. However, it should be noted that the *Commission de l'équité salariale* can authorize another mode of designation of the representatives of employees who are not represented by a certified association.

¹⁴ However, despite this provision, public-sector employers were required to fully implement pay equity by a prescribed date.

¹⁵ Pay adjustments in excess of the limit are permitted in the following circumstances: under an order of an arbitration board; under an order of the Commission of Pay Equity appointed under the Act; when making retroactive pay adjustments under a pay equity agreement; or where, in the final year of implementing pay equity, the amount remaining payable to achieve pay equity under the agreement between the employer and bargaining agents is less than 1% of the total payroll and this payment is combined, by the agreement of the employer and the bargaining agents, with a required annual wage adjustment for the preceding year.

⁷ Under Quebec's *Pay Equity Act*, the required qualifications for the job must be considered, rather than skill.

⁸ The Pay Equity Office is, among other things, responsible for the enforcement of the Act.

An employer of at least 10 but fewer than 50 employees is not required to establish a pay equity plan; however, he/she must determine the adjustments in compensation required to afford the same remuneration, for work of equal value, to employees holding positions in predominantly female job classes and predominantly male job classes. The employer must also ensure that this process does not discriminate on the basis of gender.

The pay equity committee is responsible for the female of the same remains the same remains a same r

¹⁷ The *Guidelines* provide that an occupational group is composed predominantly of one sex where

- At least 70% of the group is of one sex, if the group has less than 100 members;
- At least 60% of the group is of one sex, if the group has 100 to 500 members; or
- At least 55% of the group is of one sex, where the group has more than 500 members.

¹⁶ Some administrative and investigatory provisions of the *Canada Labour Code* apply to the determination of whether a discriminatory practice has been engaged in contrary to section 11 (i.e. the equal pay/pay equity provision) of the *Canadian Human Rights Act*. Furthermore, an inspector designated under the Code can notify, or file a complaint with, the Canadian Human Rights Commission where he/she has reasonable grounds to believe that an employer is or has engaged in such a discriminatory practice (ss. 182(1), (2) of the Code).

This document was created with Win2PDF available at http://www.win2pdf.com. The unregistered version of Win2PDF is for evaluation or non-commercial use only.