Ontario

Pay Equity Office

The Wage Gap Monitoring Program

2018

The Wage Gap Monitoring Program 2018

August 29, 2018

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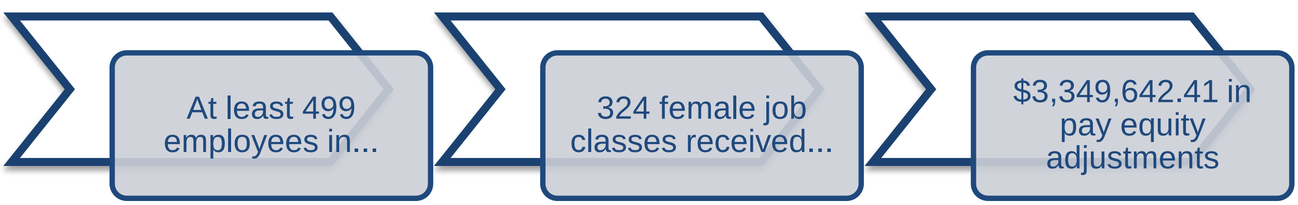
1: Executive Summary

The Pay Equity Office administers and enforces Ontario's Pay Equity Act, which is intended to redress systemic gender discrimination in the compensation of work primarily performed by women.

Monitoring programs allow the Pay Equity Office to assess the state of pay equity knowledge and compliance in a targeted manner and to proactively promote awareness of the Pay Equity Act.

The Wage Gap Monitoring Program focused on employers who did not respond during the course of the 2011 Wage Gap Pilot Progam and employers who were found to have an apparent wage gap as a result of the Pilot.

As of August 29, 2018



2: Introduction

Ontario's Pay Equity Act (PEA or the Act) requires private sector employers with 10 or more employees (and all public sector employers) to identify and correct the gender discrimination that may be present in their pay practices; adjust the wages of employees in female job classes so that they are at least equal to the wages of employees in male job classes found to be comparable in value based on skill, effort, responsibility and working conditions; and, maintain pay equity. According to the Act, all employees – both men and women – in undervalued female job classes would receive pay equity wage adjustments.

As part of its mandate, the Pay Equity Office (PEO or the Office) conducts proactive monitoring programs to educate employers about pay equity requirements and to help them ensure their current compensation practices comply with the Act. Monitoring programs allow the Office to assess the state of pay equity knowledge and compliance in a targeted manner, and to proactively promote awareness of the Act.

This report summarizes and outlines findings from the Wage Gap Monitoring Program (W-Monitoring).

3: Background

3.1 The Wage Gap Pilot Program

Providing for pay equity and closing gender wage gaps are related concepts, but they are different. Pay equity gaps emerge due to discriminatory compensation practices; gender wage gaps emerge when there is unequal treatment between men and women in other workplace practices, such as hiring, promotion, leaves. Pay equity is achieved in an organization (i.e., all pay equity gaps are closed) when all female job classes are paid at least the same as a male job class/classes of comparable value. Gender wage gaps in an organization are closed when men and women are paid equitably regardless of their gender. For example, this means there are no differences in pay between women and men: undertaking work of equal or comparative value (i.e., no job-to-job gaps); at the same organizational level (i.e., no by-level gaps); and in their average earnings across the whole organization (i.e., no organization-wide gaps).

In 2011, the PEO conducted the Wage Gap Pilot Program. Its purpose, in addition to outreach and awareness, was to examine compensation data from employers and determine the presence of gender wage gaps. It also aimed to explore the relationship between pay equity and wage gaps. Review Officers analyzed the incoming data according to five criteria:

Clustering of jobs: grouping of women into stereotypical female roles and alignment of jobs around wage/salary rates that might have been different depending on the gender of the incumbent;

1. Natural breaks in clusters of jobs: explored the salary ranking of male and female jobs and how they were grouped within identified pay bands;

2. Seniority vs. Job Rate: examined the job rate (the highest rate of pay for identified jobs) against seniority (years of service) to identify regular patterns of women progressing at different rates compared to men;

3. Distribution of jobs: distribution of female jobs across the organization and how women were compensated compared to men within the same job title;

4. Job to Job Comparisons: compared male and female job titles that were estimated to possess similar skill, effort, responsibilities and working conditions.

In order to be designated as having an apparent wage gap, an employer had to meet at least two of these five criteria. The results of the Pilot concluded that the gender wage gap persists in Ontario, and women continue to be paid less than men by hourly and annual wages, even where years of service are accounted for.

Learn more about the Wage Gap Pilot Program

3.2 The Wage Gap Monitoring Program (W-Monitoring)

W-Monitoring is an extension of the 2011 Wage Gap Pilot Program. Employers who did not respond during the course of the Pilot and employers who were found to have an apparent wage gap were referred to the W-Monitoring Program. A total of 292 files were opened for W-Monitoring. Employers in W-Monitoring were required to provide evidence that their current compensation practices provide for pay equity. Review Officers analyzed items such as payroll records, salary grids, job descriptions and job evaluation systems as they deemed appropriate, and ensured that employers made the necessary pay equity comparisons.

4: Results

The statistics in this report are current as of August 29, 2018. They provide a general overview of the W-Monitoring Program and its impacts.

It should be noted that the sample size of 292 files is not considered representative of Ontario. Care should therefore be taken in drawing conclusions or generalizing the findings.

4.1 Case Disposition

Files opened under the W-Monitoring Program had a case disposition assigned by a Review Officer when a file was closed. Please note that 10 of 292 files remain open (3% of files). Case dispositions, for the purposes of this report, are described as follows:

Compliance without an order

- These files were closed by a Review Officer after further investigation. Many employers undertook pay equity comparisons with the assistance of a Review Officer without an Order being required. The employers were deemed to have compensation practices that provide for pay equity because they did a pay equity analysis and made any necessary pay equity adjustments.
- Review Officers issued 232 Notices of Decision which found no contravention of the Act (80% of files).

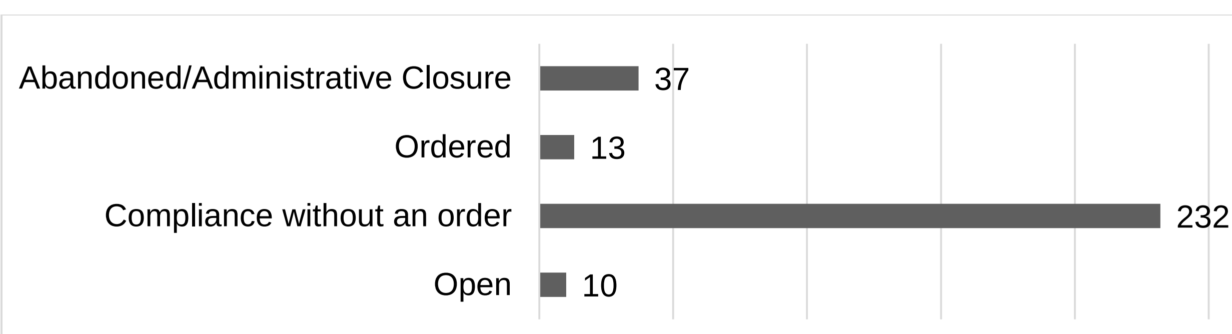
Ordered

- These files relate to employers found to be in contravention of the Act who were not willing to voluntarily comply, necessitating that an Order be issued.
- A total of 13 Orders were issued under the W-Monitoring Program (4% of files).

Abandoned/Administrative Closure

- This disposition relates to files where the employer was found to be no longer in business, or had moved.
- A total of 37 files fall into this disposition category (13% of files).

Figure 1: Case Disposition



4.2 Adjustments

Seventy-seven employers from the 292 files owed adjustments. From these 77 employers, at minimum 324 female job classes received adjustments, benefitting at least 499 employees. In total, as of August 29, 2018, PEO records indicate that W-Monitoring resulted in $3,349,642.41 in adjustments. It is important to note that even where compliance with the Act was achieved as a result of the program, adjustments were not necessarily owed.

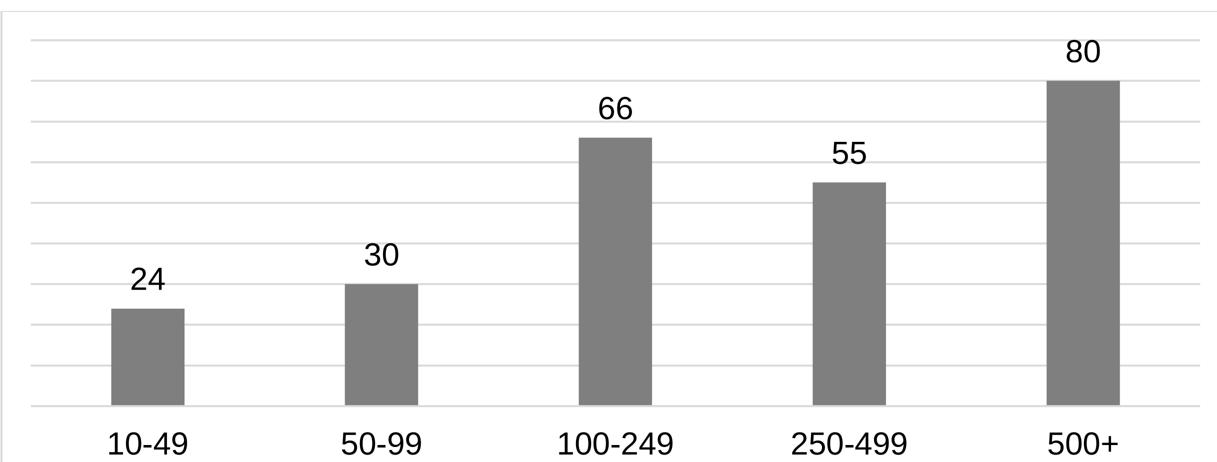
The majority of employers who owed adjustments (40/77 employers or 52%), owed under $10,000. Only two employers, or 3%, owed over $500,000. Over 73%, nearly $2.5 million, of total adjustments were owed by only eight employers.[1]

4.3 Employer Profile

The majority of files indicate that the dominant employer environment in W-Monitoring was non-union (287 files or 98%). Three files indicate a mixed union and non-union environment and two indicate union environments. Of the employers that reported their sector, the vast majority, 253 files or 99%, were private sector employers.

The size of employers in the program varied. Of those who reported on size, and had 10 or more employees, 80 employers, or 32%, had 500 or more employees. Fifty-five employers, or 22%, had between 250 and 499 employees. Sixty-six employers, or 27%, had between 100 and 249 employees. Thirty employers, or 12%, had between 50-99 employees. Twenty-four employers, or 10%, had between 10 and 49 employees. All employers who owed more than $100,000 in adjustments had over 100 employees. Only four small businesses, with 10-49 employees, had adjustments owing.

Figure 2: Employer Size by Employee Count



[1] More information is available upon request.

The files indicate that of those who reported their industry, the majority of employers, 143 or 61%, belong to the manufacturing industry. Professional, scientific and technical services account for 22 files, or 9%, and finance and insurance for 12 files, or 5%. The remaining employers are from a broad range of industries including: arts, entertainment and recreation; construction; mining; wholesale trade; transportation and warehousing; and, retail trade.

4.4 Experience

Approximately 56% of W-Monitoring files were closed in under 18 months. A further 30% of files took between 18 and 36 months to close and 11% took over 36 months to close (3% are still open). These closure rates may indicate that many files were complex and required extensive analysis.

Twenty-nine files, or 10% of files closed, indicate the employer used the Pay Equity Mini-Kit that is available on the PEO website. Thirty files indicate the employer made use of website manuals, such as A Guide to Interpreting Ontario's Pay Equity Act. This suggests that supportive resources that are publicly provided free of charge are underused. It may also suggest that the resources need to be assessed and potentially amended or updated so they can be useful for larger, more complex employers.

Ninety-nine files, or 35% of files closed, indicate the employer hired a consultant. Consultants may be used to assist the employer with coming into compliance with the Act.[2] Consultants come at an expense to the employer and therefore, there may be utility in developing more user-friendly self-managed intuitive tools (or applications) for employers so they do not feel it necessary to make additional expenses to engage in pay equity compliance analysis.

In terms of the method used to compare job classes and achieve pay equity, 127 files, or 45% of files closed, indicate the employer used a combination of Job-to-Job and Proportional Value. A further 107 files, or 38% of files closed, indicate employers used the Job-to-Job method only.

5: Conclusions

The Office will continue to use the information obtained from W-Monitoring to refine its future monitoring efforts. As such, it is important to note that there was not a clear link between employers having an apparent wage gap based on the five PEO criteria (listed on page five) and pay equity adjustments. The Wage Gap Pilot Program identified more employers and job classes as having apparent wage gaps than W-Monitoring identified

[2] Please note that the PEO does not 'authorize' or endorse consultants to offer employers any assistance with pay equity.

as having pay equity adjustments owing. Further study may be warranted to better understand connections between wage gaps and pay equity.

The over $3 million of adjustments that resulted from W-Monitoring suggest a continued need for monitoring programs, in addition to ongoing employer outreach and engagement to ensure compliance with the Act. The experience of the program also indicates that increased awareness of the resources freely available to employers is important moving forward. As well, it may be useful to review these resources to assess how to better assist employers in complying with the Act, especially given that many employers hired a consultant. Self-managed tools or applications for employers undertaking a pay equity analysis may be a resource that merits exploration.

High levels of proactive compliance with the Act, as suggested by the majority of employers being deemed compliant without an order, is encouraging. Private sector employers seem to be responsive to achieving and maintaining pay equity.