

# Guideline # 14

## Pay Equity Plans

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### PAY EQUITY IMPLEMENTATION SERIES

The *Pay Equity Implementation Series* is designed to help employers, employees and bargaining agents to achieve pay equity and to understand their rights and obligations under the *Pay Equity Act*, R.S.O. 1990, c. P7, as amended (the *Act*). These guidelines do not restrict review officers of the Commission or the Pay Equity Hearings Tribunal in their interpretation of the *Act*. The series is published in a sequence that generally reflects the steps for implementing pay equity. (**Revised Summer 2002**).

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### SIGNIFICANCE

All public sector employers who existed in 1987 and all private sector employers who had 100 or more employees in 1987 were required to post pay equity plans. Pay equity plans provide employees with information about how pay equity was done and the results for their workplace. Pay equity plans were to be posted prominently where all affected employees could read them. Copies must be provided on request to bargaining agents and to non-union employees.

The posting dates, which ranged from January 1, 1990 for the public sector and large private sector employers to January 1, 1994, for small private sector firms who chose to post plans, are now past. Nevertheless, the requirement to post remains for public sector and large private sector employers, and any resulting adjustments become retroactive to the appropriate first adjustment dates.

In union workplaces, the bargaining agent and the employer negotiate the pay equity plan.

In non-union settings, the employer is responsible for preparing the pay equity plan, but may choose to involve employees in the process.

Employers who had fewer than 100 employees in 1987 and who chose not to post a pay equity plan no longer have the option of doing so. (Part III of the *Pay Equity Act* was repealed Jan. 1, 1994)

Private sector employers who hired their tenth employee after January 1, 1988 are not required to post pay equity plans but must achieve pay equity immediately.

## EXPLANATION

### Number of Plans

In each establishment, there must be one pay equity plan for each bargaining unit and one for all non-union employees.

### Contents of Pay Equity Plans

Section 13 of the *Pay Equity Act*, sets out a number of items that must be included in a pay equity plan. Keep in mind that the purpose of drafting a plan is to communicate the pay equity process and outcomes to employees. Employees should be able to identify and track through the plan the job class that includes their position.

### Job-to-Job Pay Equity Plans

Pay equity plans based on the job-to-job comparison method must:

- Identify the establishment and the group of employees covered by the plan (i.e. non-union or bargaining unit employees).
- List all female job classes covered by the plan and all male job classes that were evaluated as potential comparators. It also makes sense to list job classes that were gender neutral. If only female job classes exist in the establishment, no further information is needed. However, a plan that includes a statement about the lack of male job classes must still be posted.
- Describe the gender-neutral comparison system used to do the job comparisons. If a point-factor job comparison system was used, describe the subfactors that were used to evaluate job classes and explain how they were weighted. If a ranking system was used, describe the methodology. Include a definition of equal or comparable value, point banding, ranking, or any other method used to determine job classes of equal or comparable value.
- List the results of pay equity comparisons, including:
  - a list of all the female job classes and the male job classes found to be equal or comparable in value
  - the difference in job rates between each female job class and its male comparator, or a statement that pay equity already exists for the female job class
  - a list of female job classes that did not find male comparators
- Explain any permissible differences in compensation relied on to explain differences between female job classes and their male comparators. (See *Guideline # 12, Permissible Differences*)
- Describe how compensation will be adjusted to achieve pay equity.
- Note the date on which the first adjustments will be effective (and effective dates of any adjustments made retroactively if the plan was posted late).

## Posting of Pay Equity Plans

The *Act* set out the following schedule for mandatory posting of pay equity plans based on the job-to-job comparison method:

Sector	Number of Employees	Mandatory Posting Date
Public	All sizes	January 1, 1990
Private	500 +	January 1, 1990
Private	100 to 499	January 1, 1991
Private	50 to 99 *	January 1, 1992
Private	10 to 49 *	January 1, 1993

\* Employers who had fewer than 100 employees in 1987 could choose to post a pay equity plan and phase in pay equity adjustments, or *not* post a pay equity plan and achieve pay equity by their mandatory adjustment date.

Part III of the *Act*, which covered small employers, was repealed on January 1, 1994. Employers with 10 to 99 employees no longer have the option of posting plans and phasing in adjustments.

## Posting Amended Proportional Value Plans

The proportional value comparison method was added to the *Act* in 1993. Employers with female job classes that could not be compared to a male job class using job-to-job were required to apply the proportional value comparison method. Pay equity plans were to be replaced or amended to reflect proportional value comparisons and any resulting pay equity adjustments.

In addition to the information listed above, plans reflecting the proportional value method must include the following:

- The method used to achieve pay equity, either job-to-job or proportional value comparison, for each female job class;
- A description of the method used to carry out the proportional value calculations;
- A list of the male job classes that made up the representative group and how they were selected;
- How the relationship of job rate to job value was determined for the representative group of male job classes; and,
- A description of any revisions made to the original job-to-job pay equity plan.

Proportional value pay equity plans should provide sufficient information that incumbents in female job classes understand the value of their jobs relative to the value of the job classes in the representative group of male job classes used.

Employers applying the proportional value comparison method because some female job classes could not be compared to a male job class using job-to-job were required to post amended or replacement pay equity plans by January 1, 1994. A sample pay equity plan incorporating the proportional value comparison method is included in the Appendix to this guideline.

**Please Note:** Employers are required to notify the Pay Equity Office if:

- they are unable to negotiate a job-to-job or proportional value pay equity plan by the mandatory posting date with a bargaining agent, and/or
- they are unable to compare one or more female job classes to male job classes using either the job-to-job or proportional value comparison methods.

(Please call, write or e-mail the Commission, or mail the "Notice of Inability to Achieve Pay Equity" form, which is included at the back of this guideline.)

**Note:** Nothing prevents a bargaining agent from notifying the Commission about these circumstances.

### **Posting Amended Plans – Changed Circumstances**

A deemed approved pay equity plan is binding on the parties it covers unless there has been a change in circumstances which makes that plan no longer appropriate. A plan can be amended and reposted because of changed circumstances if:

- An employer deems a new plan appropriate;
- A bargaining agent serves notice on an employer to negotiate as a result of a changed circumstance; or,
- An employee complains that, because of changed circumstances, the employer's plan is no longer appropriate.

When a plan is amended because of changed circumstances, the amount of a pay equity adjustment for any female job class cannot be less than it was under the original plan.

Where an employer and bargaining agent are unable to agree on an amended plan, the employer must notify the Pay Equity Commission within 120 days of having received notice to bargain.

### **Approval of Pay Equity Plans and Amendments**

**(Note:** The Pay Equity Commission does not approve pay equity plans.)

A plan that has been negotiated with a bargaining agent, which complies with the *Act*, is deemed to have been approved by the Commission when both parties sign it. The employer must then post a copy in the workplace

A deemed approved pay equity plan is binding on both the employer and the bargaining agent and prevails over relevant sections of an existing collective agreement. The adjustments to rates of compensation are considered to be incorporated into the collective agreement.

Plans covering non-union employees must initially be posted for 90 days, during which time employees affected by the plan may comment on it to the employer. Employers then have seven days to prepare and post a notice stating whether the plan has been amended and, if so, to post copies of the amended plan with the changes clearly noted. From the date of the second posting, employees have 30 days in which to object to the plan to the Commission. If no objection is filed within the 30 days period, the plan is deemed approved, assuming that it complies with the *Act*.

There is no requirement in the *Act* about how long the pay equity plan must remain posted. However, the Commission recommends the plan remain posted until pay equity is achieved or until the plan is updated.

## RELEVANT SECTIONS IN THE ACT

Subsection 1(1)	Defines pay equity plan.
Section 2	Sets out circumstances where employers may combine establishments.
Section 10	Sets out the mandatory posting dates for job-to-job pay equity plans.
Section 13	Sets out the required contents of plans, dates and details about adjustments, that the plans are binding and prevail over collective agreements, and that adjustments are incorporated into collective agreements.
Section 13.1	Sets out the details of the obligations of a purchaser to implement the pay equity plan of the seller when the business is sold.
Section 14	Sets out procedures for the employer and bargaining agent negotiating a plan.
Section 14.1	Sets out procedures for amending a pay equity plan due to changed circumstances when a bargaining unit is involved.
Section 14.2	Sets out procedures for amending a pay equity plan due to changed circumstances when a bargaining unit is not involved.
Section 15	Sets out procedures for an employer preparing and posting a plan for non-union employees.
Section 16	Sets out procedures for objections to posted plans, for notices that bargaining agents and employers cannot agree, and for notices that pay equity cannot be achieved by doing job-to-job or proportional value comparisons.
Section 17	Sets out procedures at the Hearings Tribunal concerning objections arising from section 16.
Sections 19 and 20	Describes the option to post plans for employers with fewer than 100 employees.
Section 21.4	Requires plans to be amended or replaced to reflect the proportional value comparison method.
Section 21.5	States that amended or replacement plans are binding and prevail over collective agreements, and that adjustments are incorporated into collective agreements.
Section 21.6	Sets out the required contents of plans reflecting the proportional value comparison method.
Section 21.7	Requires pay equity plans reflecting the proportional value comparison method to be posted within six months of the effective date of the <i>Pay Equity Amendment Act (1993)</i> .
Section 21.8	States that sections 14, 16 and 17 apply to plans reflecting proportional value comparisons involving bargaining units.
Section 21.9	States that non-union employees have rights to comment on and object to amended or replacement plans as described in section 15.
Section 21.10	Describes the procedures for adjustments arising from a plan reflecting the proportional value comparison method.
Section 24	Describes enforcement measures the Pay Equity Office may take if a plan is not being prepared or implemented.
Section 25	Sets out procedures at the Hearings Tribunal concerning objections arising from section 24.

Subsection 34(2) States that review officers shall monitor the preparation and implementation of plans.

## **REFERENCES:**

*Pay Equity Implementation Series (Revised) - Guideline #4: Definition of Establishment*

*Pay Equity Implementation Series (Revised) - Guideline #7: Determining the Gender Predominance of Job Classes*

*Pay Equity Implementation Series (Revised) - Guideline #8: Disclosing Information*

*Pay Equity Implementation Series (Revised) - Guideline #9: Gender Neutral Job Comparison*

*Pay Equity Implementation Series (Revised) - Guideline #10: Which Job Classes to Compare*

*Pay Equity Implementation Series (Revised) - Guideline #11: Determining Job Rate*

*Pay Equity Implementation Series (Revised) - Guideline #12: Permissible Differences in Compensation*

*Pay Equity Implementation Series (Revised) - Guideline #13: Pay Equity Adjustments*

*Management Board Secretarial (1993), 4 P.E.R. 58*

"How to Read Your Pay Equity Plan," *Pay Equity Commission Newsletter*, Vol. 3, No. 1, March 1991, p. 2-5.

## **For More Information:**

We are here to help. We can answer your questions by e-mail at <mailto:Pecinfo.Pecinfo@ontario.ca> or by phone at (416) 314-1896, or toll-free at 1-800-387-8813. You can also register for a free seminar. Visit our website at <http://www.payequity.gov.on.ca/peo/english/seminar.html>

**All communications are confidential.**

## Appendix 1

# SAMPLES OF PAY EQUITY PLANS

This is an example of a pay equity plan originally posted by the Fairpay Company to show the results of job-to-job comparisons. The plan was then amended to show the results of a proportional value comparison.

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**PAY EQUITY PLAN**  
(job-to-job comparison method)

**FAIRPAY COMPANY**  
123 Any Road, Toronto Ontario

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### Date of posting and pay equity adjustments

Fairpay Company has posted the following pay equity plan on January 1, 1993.  
Pay equity adjustments will begin January 1, 1994.

### Establishment

This plan covers all employees of Fairpay Company who are located at 123 Any Road, Toronto, Ontario.

### Job Classes

<b>The following job classes are female job classes:</b>	<b>The following job classes are male job classes:</b>
Accounting Clerk	Accountant
Accounting Supervisor	Controller
Administrative Assistant	Market Analyst
Customer Service Clerk	Marketing Manager
Marketing Coordinator	President
Receptionist	Programmer
Secretary	Sales Manager
	Sales Representative
	Shipper/Receiver
	Warehouse Manager

**Method of Comparison**

A gender neutral job comparison system was used to measure the value of each job class. Points were assigned to each job class based on the following factors and subfactors:

<b>Factors</b>	<b>Subfactors</b>
Skill (30% weight)	Knowledge (10% weight) Problem-solving/judgement (12% weight) Interpersonal skills/contacts (8% weight)
Effort (25% weight)	Mental effort (15% weight) Physical effort (10% weight)
Responsibility (35% weight)	Human resources (12% weight) Financial resources (8% weight) Information resources (10% weight) Material resources (5% weight)
Working conditions (10% weight)	Environment (10% weight)

Evaluations were carried out by a committee.

Job classes of equal or comparable value were determined by dividing the system into point bands, 75 points wide.

**Comparison results**

Following are female job classes which found male comparators, their male comparator job classes, and the total pay equity adjustment needed in each case:

<b>Female Job Class</b>	<b>* Points</b>	<b>Male Comparator Job Class</b>	<b>* Points</b>	<b>Pay Equity Adjustment</b>
Accounting Supervisor	570	Programmer	555	\$1.00/hr.
Administrative Assistant	490	Shipper/Receiver	470	\$1.00/hr.

**Permissible differences**

No permissible differences were found between job rates of female and male job classes.

**First payment**

The law requires that one percent (1%) of the 1993 payroll be spent on pay equity adjustments in 1994. Because total pay equity adjustments amount to less than the one percent, the full amount of pay equity adjustments will be made on January 1, 1994.

**For further information, contact John Smith, Controller.**

\* This information is optional.

## **PAY EQUITY PLAN AMENDED FOR PROPORTIONAL VALUE**

The *Pay Equity Act* was amended on July 1, 1993. The amendments require that the proportional value comparison method be applied to all female job classes that could not achieve pay equity using the job-to-job comparison method.

As a result, the pay equity plan posted on January 1, 1993 is amended as follows:

### **Female job classes with male comparators**

The job-to-job comparison method was used to achieve pay equity for the following job classes:

Accounting Supervisor  
Administrative Assistant

### **Female job classes without male comparators**

The proportional value comparison method was used to achieve pay equity for the following female job classes:

Accounting Clerk  
Customer Service Clerk  
Marketing Coordinator  
Receptionist  
Secretary

### **Representative group of male job classes**

The following male job classes were used as the representative group of male job classes when applying the proportional value method:

Accountant  
Controller  
Market Assistant  
Marketing Manager  
Programmer  
Sales Representative  
Sales Manager  
Shipper/Receiver  
Warehouse Manager

**Method of comparison**

A gender neutral job comparison system was used to measure the value of each job class. Points were assigned to each job class based on the following factors and subfactors:

<b>Factors</b>	<b>Subfactors</b>
Skill (30% weight)	Knowledge (10% weight) Problem-solving/judgement (12% weight) Interpersonal skills/contacts (8% weight)
Effort (25% weight)	Mental effort (15% weight) Physical effort (10% weight)
Responsibility (35% weight)	Human resources (12% weight) Financial resources (8% weight) Information resources (10% weight) Material resources (5% weight)
Working conditions (10% weight)	Environment (10% weight)

Evaluations were carried out by a committee.

**Proportional value comparisons and calculations**

The job value and job rates of all male job classes were plotted on a graph. A representative group of male job classes was selected from these male job classes.

A statistical method called regression analysis was used to determine the relationship between the value of male job classes and their job rates. This produced a formula which was then used to calculate pay equity job rates for female job classes.

Pay equity is achieved when the female job class is paid the pay equity job rate. Female job classes that are paid less than the pay equity job rate receive an adjustment until pay equity is achieved. Female job classes that are paid more than the pay equity job rate do not receive a proportional value adjustment.

<b>Job Class</b>	<b>* Value</b>	<b>* Present Job Rate</b>	<b>* Pay Equity Job Rate</b>	<b>Adjustment Required</b>
Accounting Clerk	350	\$13.25	\$14.07	\$0.82
Customer Service Clerk	390	14.50	15.59	1.09
Marketing Coordinator	380	16.00	15.21	0.00
Receptionist	340	13.04	13.69	0.65
Secretary	400	14.72	15.97	1.25

## Adjustments

The law requires that one percent (1%) of the 1993 payroll be spent on pay equity adjustments in 1994. Female job classes requiring pay equity adjustments under the job-to-job comparison method will receive the full increase on January 1, 1994. This was previously committed to in the original pay equity plan posted on January 1, 1993. The total amount of the adjustments for these female job classes amounted to less than 1% of payroll.

Female job classes requiring pay equity adjustments under the proportional value method will have their pay equity increases phased in. The unused portion of the 1% of 1993 payroll will be used toward 1994 proportional value adjustments. The first adjustment will be paid on January 1, 1994 as follows:

<b>Job Class</b>	<b>* Present Rate</b>	<b>1994 Adjustment</b>	<b>* Adjusted Rate 1994</b>	<b>* Remaining Adjustment</b>
Accounting Clerk	\$13.25	\$0.62	\$13.87	\$0.20
Customer Service Clerk	14.50	0.60	15.10	0.49
Receptionist	13.04	0.65	13.69	0.00
Secretary	14.72	0.57	15.29	0.68

For further information, contact John Smith, Controller.

\* This information is optional.

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## The Pay Equity Commission

**This fact sheet is for information only, and is not intended to restrict Review Officers or the Pay Equity Hearings Tribunal in their determination of matters. Refer to the *Pay Equity Act* for exact interpretation.**

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