



COUNTDOWN TO FEDERAL PAY EQUITY..... THE TIME TO PREPARE IS NOW!

CURRENT STATUS

The Federal government has introduced Bill C-86* covering pay equity requirements in federally regulated employers with at least 10 employees in both the public and private sectors. This new Pay Equity Act has received Royal Assent and is well underway for full implementation. Although the effective date is not yet proclaimed, it is projected to be December 13, 2021 however the final date has yet to be finalized.

Will your organization be ready? Success in managing risk and achieving pay equity compliance will require significant time, effort and specialized knowledge!

While compliance will not be required immediately, organizations need to think and take action on their state of readiness including proactively managing risks where potential liabilities might exist and related strategies on implementation. The implementation of a gender neutral job evaluation plan is critical to this process which needs to include the prescribed evaluation factors of Skill, Effort, Responsibility and Working Conditions.

This briefing fact sheet will cover current highlights of the new legislation. Based on our consulting expertise with pay equity, we have also prepared a readiness checklist to assist with key considerations and major activities to achieve compliance.

*part of Budget Implementation Act 2018, No. 2

KEY ELEMENTS OF THE NEW LEGISLATION

Determination of Number of Employees	<ul style="list-style-type: none"> o Employers with 10 to 99 employees <ul style="list-style-type: none"> ▪ requirement to establish a pay equity committee if some or all employees are unionized o Employers with 100 or more employees <ul style="list-style-type: none"> ▪ requirement to establish a pay equity committee
Composition of a Pay Equity Committee	<ul style="list-style-type: none"> o At least 3 members with specific requirements around female and employee / employer representations o Employers (100 plus employees) and unionized workplaces (10 plus employees) will need to form joint (representatives from both non-unionized and unionized employees) pay equity committees.
Gender Predominance Determination	<ul style="list-style-type: none"> o At least 60% of incumbents is the required threshold in the determination of both male job classes and female job classes o Consideration of historical incumbency and gender-based occupational stereotyping is required
Comparison Methods	<ul style="list-style-type: none"> o Equal Average Method – comparing average compensation of female job classes to male job classes within the band/comparable value o Equal Line Method – comparing a female regression line based on predominately female job classes to a male regression line
Requirement of Plan Posting	<ul style="list-style-type: none"> o Requirement to post a plan for 60 days that includes, among other requirements, job class gender, method of comparisons and results
Maintenance Review	<ul style="list-style-type: none"> o Requirement of annual statement submission to the Pay Equity Commissioner that will have significant detail such as job classes, related adjustments, if any etc. o Requirement to review/update of plan(s) every 5 years review / with possible retroactive pay adjustments if gap exists

CHECKLIST

This checklist solely covers federally regulated organizations for employees covered under Bill C-86 and is structured around two major areas of preparation:

- 1) Information gathering and data preparation and
- 2) Governance and process considerations that will need to be addressed during the course of implementation.

INFORMATION GATHERING AND DATA PREPARATION

Actions Required

- Identify legal entities subject to federal regulations. The Act is based on having one pay equity plan for one employer. Alternate arrangements, such as a plan shared between two or more employers, will require agreement from the Pay Equity Commissioner.
- Identify and review existing Job Evaluation Plans for all unionized and non-unionized employees to ensure measures are in line with legislative requirement. Ensure that current factors include the prescribed Skill, Effort (mental and physical), Responsibility and Working Conditions without any gender bias in addition to adequately measuring the diversity of work performed in the organization.

Note: If a gender neutral job evaluation plan has not been implemented for jobs in any location in Canada, updated job documentation will need to be prepared for evaluation using an appropriate gender neutral Job Evaluation (JE) plan with the required factors. Gallagher provides a range of gender neutral JE tools including web-based applications such as Gallagher's Universal Job Evaluation Plan and job documentation platforms.

- Prepare listings of all job classes (and titles) with appropriate organizational information
- Gather and review job documentation to ensure currency, including preparation and updating of job description information as necessary.
- Ensure job evaluations are current and updated.
- Gather relevant employee data by job class to determine gender dominance and comparators including any historical evidence.
- Gather relevant compensation including non-cash information on all job classes especially if programs differ by role or level.

GOVERNANCE & PROCESS

Actions Required

- Identify who is accountable to ensure compliance with new legislation
- Determine whether a committee or joint committee is required in accordance with legislative requirements
- Review current process of Job Evaluation (development of new roles, approvals etc.) in the organization and make policy revisions in line with compliance requirements and accountabilities
- Review processes to maintain pay equity once initial pay equity plan is implemented.



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PROACTIVELY MANAGE YOUR RISK

The Act also spells out enforcement steps including the appointment of a Pay Equity Commissioner whose focus will include compliance audits and imposing penalties for non-compliance.

For many organizations, the clock starts ticking now on the process towards becoming compliant. To underestimate the effort required to achieve compliance might have serious implications from both a business and reputational risk and resulting employee relations issues. The process is complex and multi-faceted involving numerous key stakeholders in addition to managing issues and challenges along the way. Taking a proactive approach to think through the various implications is the desired approach paving the way towards compliance on a collaborative basis.

In summary, it is important to take action now. Boards of Director and like governing bodies are taking a keen interest in gender related issues making these initiatives not only high profile but crucial to address and resolve while engaging key stakeholders in the process.

Does your Employment Practices Liability policy include and meet your pay equity needs? Please contact us if this is of interest.

About Gallagher's Human Resources & Compensation Consulting Practice

Gallagher has extensive expertise in assisting organizations with job evaluation exercises that underpin any pay equity program. We are experts in the design and application of a range of job evaluation methodologies covering the required factors of skill, effort, responsibility, and working conditions. The Gallagher team is at the forefront of providing expert pay equity consulting services in Canada and US markets where more stringent provincial / state pay equity laws are being introduced.

With experience in over 300 client projects in Canada, Gallagher is committed to using its expertise in pay equity consulting to assist employers in response to the evolving requirements of pay equity regulations and to approach gender wage gap issues in a thoughtful and strategic manner. While the legislation does allow employers three years to develop their pay equity plans, we recommend that employers commence work on the foundations for their pay equity programs as soon as possible to proactively manage the process and ensure compliance.

If you have any questions or would like more information about our services, please call Gallagher in Toronto at 416.644.6584 or Calgary office at 403.648.4423

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