

Wage Gap Changes among Organizations Subject to the *Employment Equity Act**

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Comme la loi canadienne sur l'équité en matière d'emploi vise à promouvoir la présence de certains groupes (femmes, minorités visibles, autochtones, handicapés) dans le milieu de travail – en favorisant par exemple leur accès aux emplois le mieux rémunérés – l'écart entre le salaire des membres de ces groupes et celui des hommes de race blanche devrait être réduit. Cette étude examine la réduction de ces écarts de salaires parmi les organisations qui doivent adopter des programmes d'équité en matière d'emploi (PEE) ainsi que l'impact de certaines caractéristiques de ces programmes sur la réduction des écarts de salaires. Les données de recherche, recueillies sur une période de cinq ans, montrent que les organisations sujettes à la loi: (1) réduisent tranquillement les écarts de salaires; et, (2) qu'elles les réduisent plus rapidement lorsque leur PEE est plus formel, plus complet et davantage appuyé par les dirigeants.

Canada's *Employment Equity Act* is designed to promote the presence of designated group members (women, visible minorities, aboriginal peoples and disabled persons) in the workplace. By increasing access to better paying jobs, the wage gap between designated group members and white men should be closing. This study examines wage gap reductions among organizations subject to the Act as well as the role Employment Equity Programs (EEPs) play in closing the wage gap. Using five years of data, we find that: (1) organizations subject to the Act are slowly closing the wage gap; and, (2) organizations with more formalized, comprehensive and supported EEPs are closing the wage gap more rapidly. Implications to policy-makers, practitioners and researchers are discussed.

Introduction

Many studies conducted in the United States and Canada have demonstrated that white women working full-time receive about 60 to 75 per cent of the wages earned by white men (see for example Cain, 1986; Gunderson, 1989; Shapiro and Stelcner, 1987). Wage gaps between white men and other disadvantaged group members, such as visible minorities, disabled persons and aboriginal peoples, have also been reported (see Christofides and Swidinsky, 1994; Milkovich and Newman, 1993).

To date, much research has been conducted to explain why the wage gaps exists (see for example, Cannings, 1988; Fiorito, Greer and Dauffenbach, 1986; Gerhart and Rynes, 1991; Gronau, 1988; Mangum, 1988; McShane, 1990; Rynes, Weber and Milkovich, 1989). Generally, these studies conclude that the wage gap is largely explained by differences in the occupation and the job itself. For instance, those in female-dominated occupations (e.g., secretary) earn less than those in male-dominated occupations (e.g., superintendent) although the 'value' (degree of responsibility,

skills and effort required, etc.) of both occupations may be very similar. Adjusting pay to reflect the value of the job is commonly known as providing 'equal pay for work of equal value'. These pay adjustments are expected to reduce the wage gap significantly.

These studies also suggest that part of the wage gap results from pay discrimination. For instance, men and women holding the same position should be earning the same pay (given equal experience, seniority, etc.). This is commonly known as providing 'equal pay for equal work'. Other factors argued to contribute to the wage gap include: (1) industry and sector (public or private); (2) organizational size; (3) employee behaviours (e.g., absenteeism, turnover); and, (4) employee characteristics (e.g., education, seniority, career aspirations, negotiation styles).

One factor that has been relatively neglected in the wage gap literature is that of employment discrimination (see Jacobs, 1989; Haberfeld, 1992). When hiring and promotion practices favour white men over other group members, especially in positions of power (see Kanter, 1977; Morrison and Von Glinow, 1990), white men have better access to better paying jobs. With better access to better paying jobs, white men enjoy higher average salaries than other group members. That is, even if pay scales are adjusted to provide equal pay for 'equal work' and for 'work of equal value,' women and other disadvantaged group members will earn, on average, less money because they are blocked from the highest paid occupations. The compensation literature suggests that pay equity is achieved when all individuals are paid equally for 'equal work' and for 'work of equal value' (see Theriault, 1991). We posit that pay equity is achieved when all individuals also have equal *pay potential* (i.e. equal access to all pay categories). Increasing access to all occupations and eliminating preferential hiring and promotion practices is the objective of employment equity policy, such as Canada's *Employment Equity Act*.

The Current Study

Canada's *Employment Equity Act* (1986) has had a direct effect on the way many organizations shape and manage their hiring and promotion practices and was designed to ensure that all workers have equal opportunity to obtain all jobs, including the better paying ones. Organizations subject to the Act are required to take measures to eradicate discrimination in the workplace by increasing opportunities for four designated groups; women, visible minorities, disabled persons and aboriginal peoples. They are also required to adopt Employment Equity Programs (EEPs) and to report annually on their progress in achieving equity in the workplace. Generally, EEPs include measures such as ensuring existing practices are bias-free, increasing efforts to recruit, hire and promote designated group members in all job categories, and providing special training. Employment equity is achieved only when the percentage of designated group members in the organization reflects the percentage of designated group members available in the external labour market for all occupations and levels.

If the Act is succeeding, then women and other disadvantaged group members should be gaining access to higher paid jobs and enjoying the same 'pay potential' as their white male colleagues. Therefore, achievements in employment equity should have an important impact on closing the wage gap in that more designated group members will be employed in higher paid jobs and fewer in the lower paid ones. The current study is designed to explore the impact of employment equity initiatives on reducing the wage gap. Specifically, two questions are examined:

(1) Are organizations subject to the *Employment Equity Act* succeeding in closing the wage gap? and,

(2) Does the type of EEP adopted by organizations influence the rate at which the wage gap is closed?

Previous research has demonstrated that organizations subject to the Act have

been successful in increasing the representation of designated group members in the workplace, including in traditionally white male dominated occupations, such as professional, supervisory and upper management positions (Jain and Hackett, 1989; Leck and Saunders, 1992a; 1992b; 1993). Since designated group members are gaining increased access to better paying jobs (i.e. the jobs traditionally held by white men), the wage gap between white men and designated group members should be shrinking. That is, if designated group members who gain access to traditionally white male dominated jobs are paid accordingly, then the *Employment Equity Act* should be succeeding in reducing the wage gap.

Previous research has also demonstrated that organizations with EEPs that are more formalized (i.e. include formal plans, goals, timetables), more comprehensive (i.e. focus on recruitment, selection and promotion) and better supported by management (i.e. financial resources are made available), are able to increase the representation of women and other designated group members more rapidly (see Leck and Saunders, 1992a; 1992b; 1993). If designated group members gain access to better paying jobs more rapidly, then organizations with more formalized, comprehensive and supported EEPs should be decreasing the wage gap more rapidly.

This is the first study that examines if organizations subject to the *Employment Equity Act* are closing the wage gap. This is also the first study that examines the effect of EEPs on wage gap reductions. This study also examines the wage gap between white men and all four designated groups (disabled persons and aboriginal peoples are frequently excluded from wage gap analyses).

Methodology

Sample

The sample consists of all organizations which were subject to Canada's *Employment*

Equity Act from 1989 to 1993. Organizations subject to the Act include crown corporations and organizations under federal jurisdiction employing at least 100 employees (i.e. organizations in the banking, communication and transportation sector, as well as other industries such as uranium mining and grain elevators). The number of organizations subject to the Act varies from year to year due to the creation of new organizations, increases or decreases in the number of employees, and company closings. In 1989 there were 376 organizations subject to the Act (370 in 1990, 367 in 1991, 362 in 1992 and 346 in 1993). The entire population was used to examine the first research question (i.e. Are organizations subject to the *Employment Equity Act* succeeding in reducing the wage gap?).

To examine the second research question (i.e. Does the type of EEP adopted by organizations influence the rate at which the wage gap is closed?) the sample used consisted of 294 organizations that participated in a telephone survey designed to gather information about their EEP (survey is described below in greater detail).

Procedure

Data were collected from two sources:

1. *Employment Equity Employer Reports*. Organizations subject to the *Employment Equity Act* are required to submit annual reports to the federal government detailing their progress in achieving equity in the workplace. Included in these annual reports are the number of men and women from each designated group employed in full-time jobs earning wages corresponding to 13 pre-designated salary categories (see Table 1 for salary categories). These data were extracted from the reports filed from 1989 to 1993.

2. *Human Resource Management Telephone Study* (Leck and Saunders, 1992a). In 1990, attempts were made to contact all organizations who had filed Employment Equity Employer Reports in the previous year. Of the 376 organizations in the population, 294 agreed to participate, 47 de-

Table 1 (cont.)

Percentage of white, visible minority, disabled and aboriginal men and women earning wages corresponding to the 13 salary categories by year

Salary category	1989	1990	1991	1992	1993	Change ¹	1989	1990	1991	1992	1993	Change ¹	
	Disabled men							Disabled women					
< 9,999	.01%	.02%	.01%	.01%	.01%	-0.00	.01%	.00%	.00%	.00%	.00%	-0.01	
10,000-14,999	.03	.02	.01	.02	.03	-0.04	.03	.01	.02	.03	.01	-0.01	
15,000-17,499	.02	.04	.03	.02	.02	-0.02	.05	.04	.03	.03	.01	-0.05	
17,500-19,999	.05	.04	.03	.03	.02	-0.009	.05	.05	.04	.03	.02	-0.06	
20,000-22,499	.06	.06	.05	.05	.04	-0.04	.04	.05	.06	.04	.04	-0.02	
22,500-24,999	.07	.07	.07	.05	.05	-0.06	.03	.04	.04	.04	.04	+0.02	
25,000-27,499	.11	.08	.07	.07	.06	-0.03	.03	.03	.04	.05	.06	+0.04	
27,500-29,999	.11	.11	.11	.10	.08	-0.08	.02	.03	.04	.04	.04	+0.05	
30,000-34,999	.26	.26	.23	.21	.20	-0.22	.03	.04	.04	.05	.07	+0.06	
35,000-39,999	.14	.16	.19	.21	.23	+0.19	.01	.02	.02	.02	.03	+0.04	
40,000-49,999	.19	.23	.24	.27	.33	+0.26	.02	.02	.02	.03	.03	+0.03	
50,000-69,999	.10	.13	.17	.17	.18	+0.12	.00	.01	.00	.01	.02	+0.04	
> 70,000	.03	.05	.06	.07	.09	+0.09	.00	.01	.00	.00	.00	+0.01	
	Aboriginal men						Aboriginal women						
< 9,999	.02%	.03%	.03%	.03%	.03%	-0.00	.02%	.02%	.02%	.03%	.03%	+0.01	
10,000-14,999	.03	.05	.04	.03	.03	-0.04	.04	.05	.03	.03	.02	-0.03	
15,000-17,499	.02	.03	.05	.04	.04	+0.03	.04	.04	.03	.03	.04	+0.01	
17,500-19,999	.06	.04	.03	.05	.05	-0.01	.03	.03	.05	.04	.03	+0.02	
20,000-22,499	.04	.05	.05	.06	.04	+0.00	.03	.04	.04	.06	.06	+0.08	
22,500-24,999	.04	.04	.04	.04	.05	+0.02	.01	.03	.03	.04	.04	+0.05	
25,000-27,499	.06	.04	.05	.08	.05	+0.03	.01	.02	.03	.03	.04	+0.04	
27,500-29,999	.06	.06	.05	.04	.07	-0.01	.01	.01	.02	.03	.03	+0.05	
30,000-34,999	.14	.15	.13	.12	.11	-0.06	.01	.01	.02	.02	.03	+0.04	
35,000-39,999	.16	.15	.12	.14	.17	-0.01	.00	.01	.01	.01	.02	+0.03	
40,000-49,999	.10	.13	.19	.22	.23	+0.26	.00	.00	.01	.01	.01	+0.03	
50,000-69,999	.05	.06	.08	.10	.11	+0.13	.00	.00	.00	.00	.01	+0.01	
> 70,000	.01	.01	.02	.02	.02	+0.03	.00	.00	.00	.00	.00	+0.00	

¹ Change was calculated as the slope of the line using five years of data (least squares).

clined to participate and 35 could not be reached for various reasons (e.g., bankruptcy) yielding a response rate of 78 per cent. The head of the personnel department or the president/CEO was reached in 76 per cent of the organizations sampled (other contacts included managers (14%) and clerks (5%); the remaining 5 per cent did not furnish their title). The respondent was asked to participate in a study that catalogued the frequency of some personnel policies and practices in Canada. Respondents were told that their organization was selected randomly, that their participation would be anonymous, and that in exchange for their participation they would receive a summary report of the study's findings. If they agreed to participate, a series of closed and open-ended questions about their personnel practices and their EEP were asked. Three scales (EEP Formalization, EEP Comprehensiveness and EEP Support) measuring the type of EEP adopted were created based on the results of this survey.

Wage Gap Measures

There are two ways that changes in the wage gap can be examined: (1) by examining the percentage of employees from the various groups earning similar wages; and, (2) by examining the average pay earned by each employee group.

Percentage Measures

The first way that changes in the wage gap can be examined is to examine the percentage of designated group members and white men earning wages corresponding to each of the 13 salary categories. If the percentages are equal across all employee groups then no wage differences exist. If, however, the percentage of employees earning salaries corresponding to the 13 salary categories varies depending on the employee's group membership, then wage differences are present.

The change in these percentages over the five-year period can also be examined. If the wage gap is closing, the percentage of designated group members earning wages

corresponding to the higher salary categories should be increasing. Correspondingly, the percentage of white men in the same salary categories should be decreasing or increasing more slowly.

The following two variables were therefore created:

1. *Percentage of Employees*: the percentages of white, visible minority, disabled and aboriginal men and women earning wages corresponding to the 13 pre-designated salary categories (by year).

2. *Change in Percentage of Employees*: the slope of the line that best fits the five data points (Percentage of Employees from 1989 to 1993) using the least squares method.

Average Pay Measures

The second way to examine changes in the wage gap is to examine the average pay earned by each employee group. Average pay should be the same across all groups if no wage differences exist. If, however, average pay differs by employee group and sex, then wage differences are present. If the average pay earned by designated group members is lower than the average pay earned by white men, this could suggest that designated group members are finding it difficult to gain access to better paying jobs.

Although differences in average pay may be due to other factors, such as experience and seniority, it is expected that the average pay gap should be decreasing (and eventually reach zero) as these factors lose their comparative importance over time. Therefore, change in average pay over the five-year period can also be used to examine if the wage gap is closing. If the wage gap is closing, then the average pay of designated group members should be increasing more rapidly than the average pay earned by white men.

The following two variables were therefore created:

1. *Average Pay*: the weighted average¹ across the 13 salary categories for each designated group (by year). That is:

$Average\ Pay_{year} = (\text{Number of Employees}_{ijk} \times Pay_k) / \text{Number of Employees}_{ij}$

where i = sex (men, women)

j = status (white, visible minority, aboriginal, disabled)

k = salary category (1-13)

$Pay_{(2-12)}$ = midpoint of the salary category

$Pay_1 = \$10,000$

$Pay_{13} = \$70,000$

Average pay can be expressed in dollars or as a percentage of the average pay earned by white men.

2. *Change in Average Pay*: the slope of the line that best fit the five data points (Average Pay from 1989 to 1993) using the least squares method.

EEP Measures

The type of EEP adopted was assessed using the following four scales (see Leck and Saunders, 1992 for scale development):

1. *EEP Formalization*: the extent to which the EEP is formalized and includes formal goals, timetables, plans, audits and EEP administrator (scale values 0-5; 0 = low formalization, 5 = high formalization). Using Cronbach's alpha, a measure of scale reliability (i.e. internal consistency), EEP Formalization was also found to be very reliable ($\alpha = .90$). Note that Cronbach alphas over .70 generally represent acceptable levels of reliability.

2. *EEP Comprehensiveness*: the extent to which the EEP focuses on recruiting, selection and promotion activities (scale values 0-3; 0 = low comprehensiveness, 3 = high comprehensiveness; $\alpha = .84$).

3. *EEP Support*: the extent to which the EEP is supported by management in the form of human resources (i.e. staff) and training efforts (scale values 0-2; 0 = low support, 2 = high support; $\alpha = .65$).

4. *EEP Effectiveness*: this scale combines the items of EEP Formalization, EEP Comprehensiveness and EEP Support and includes two additional items reflecting the presence of public awareness programs and the importance of the EEP administrator (scale values 0-12, 0 = low effectiveness, 12 = high effectiveness, $\alpha = .89$).

Results and Discussion

Changes in the Wage Gap: An Examination of the Percentages

The *Percentage of Employees* earning wages corresponding to the 13 pre-designated salary categories is reported in Table 1. For instance, according to Table 1, on average 6.03 per cent of the sample consisted of white men earning between \$27,500 and \$29,999 in 1989. The percentage of white men in this salary category fell to 5.70 per cent in 1990, 5.36 per cent in 1991, 4.48 per cent in 1992 and 3.69 per cent in 1993. This decrease in percentages is reflected by a negative *Change in Percentage of Employees* (slope = $-.393$), indicating that the change in percentage is decreasing at the average rate of about .4 per cent per year.

Four observations can be drawn from the data reported in Table 1:

1. *Wage gap is decreasing in the mid to lower salary categories*. Negative changes in percentages of white men were observed in the first nine salary categories (< \$10,000-\$34,999). Positive changes were observed for white women earning \$25,000 and more, visible minorities (men and women) earning \$20,000 and more, disabled women earning \$22,500 and more and aboriginal women earning \$15,000 and more. The percentage of aboriginal men increased in seven of the 13 salary categories.

If, for any salary category, the percentage of white men is decreasing while the percentage of other designated group members is increasing, then the wage gap is decreasing in that salary category. In other words, the wage gap approaches zero as the percentages approach one another. The results therefore indicate that the wage gap is decreasing between white men and: (1) white women earning salaries between \$25,000 and \$35,000; (2) visible minorities earning salaries between \$20,000 and \$35,000; (3) disabled women earning salaries between \$22,500 and \$35,000; and (4) aboriginal peoples earning less than \$35,000. In other words, the percentage of

white men and designated group members earning similar pay is moving closer together in the salary categories specified above. Since most of these salary categories (generally between \$20,000 and \$35,000) represent low to middle incomes, it can be concluded that the wage gap is closing in the mid to lower salary ranges.

2. *Wage gap is increasing in higher salary ranges.* The percentage of white men earning \$40,000 and more is increasing more rapidly than for any other group. For instance, the average percentage of white men earning between \$50,000 and \$69,999 is increasing at around .8 per cent per year. The corresponding increase for white women is only .2 per cent per year and for other group members the increase is less than .05 per cent per year. This suggests that the designated groups are not enjoying the same pay potential as white men. That is, until designated group members gain access to higher paying jobs, white men will continue to enjoy higher income levels.

Previous research has demonstrated that organizations subject to the *Employment Equity Act* have increased the representation of white women in upper management ranks (Leck and Saunders, 1993). This suggests that the percentage of white women earning wages in the higher pay categories should be increasing as or more rapidly than the percentage of white men. Since this is not the case, these results may indicate that although white women are gaining access to upper-level jobs, they are not paid accordingly. Even if women entering upper management positions are paid at the bottom of the salary scale (for that level), one should observe an increased percentage of women in the higher level pay categories. Therefore, some other factor (such as benefits packages, organizational area, pay discrimination), must explain this anomaly. More research is required to verify that women promoted to upper management positions are receiving more than changes in job titles.

3. *The wage gap is decreasing most rapidly for white women.* The percentage of

white women earning between \$35,000 and \$39,999 is increasing more rapidly than for white men. White women are the only group that is making progress in closing the wage gap in this salary category. The percentage of women earning more than \$40,000 is also increasing faster than for any other designated group (men or women). This pattern reflects previous research that argues that white women are the most successful group in gaining access to middle and upper level management positions (see Leck and Saunders, 1992b; 1993).

4. *The wage gap is widening for visible minority, aboriginal and disabled women.* The percentage of minority men (i.e. disabled, aboriginal, and visible minority men) earning more than \$40,000 is increasing more rapidly than the percentage of minority women (i.e. disabled, aboriginal and visible minority women). In other words, the wage gap between minority men and minority women in the higher salary categories is widening. As a consequence, the wage gap between minority women and white men is widening even more rapidly. This pattern reflects previous research that argues that minority men are better able to gain access to high level positions than minority women and that minority women may suffer from both race and sex discrimination (see Leck and Saunders, 1992a).

Changes in the Wage Gap: An Examination of Average Pay

The *Average Pay* earned increased over the five-year period across all groups (see Table 2). This is expected as salaries are generally adjusted yearly for increases in cost of living. The average pay earned by men is greater than the average pay earned by the women of the corresponding group, and the average pay earned by white men is the highest of all.

In 1989, white women earned approximately 69 per cent of the wages earned by white men. This percentage has increased at about 1 per cent per year, reaching 73 per cent in 1993. For female members of visible

Table 2
Average pay by group and year
Average pay \$ (percentage of pay earned by white men)

Status	1989	1990	1991	1992	1993	Change ¹ average pay
White						
Men	35,766	36,984	38,111	39,498	40,241	1,146
Women	24,745 (69%)	25,937 (70%)	27,056 (71%)	28,336 (72%)	29,236 (73%)	1,138 (99%)
Visible Minority						
Men	33,880 (95%)	34,666 (93%)	35,762 (93%)	37,015 (94%)	37,829 (94%)	1,024 (89%)
Women	25,215 (70%)	26,130 (71%)	27,085 (71%)	27,872 (71%)	28,848 (72%)	901 (79%)
Disabled						
Men	34,156 (95%)	35,273 (95%)	36,618 (96%)	37,471 (95%)	38,431 (96%)	1,074 (94%)
Women	24,973 (70%)	25,802 (70%)	26,851 (70%)	27,732 (70%)	28,696 (71%)	938 (82%)
Aboriginal						
Men	32,689 (91%)	33,333 (90%)	34,011 (89%)	35,249 (89%)	36,078 (90%)	869 (76%)
Women	22,459 (62%)	22,931 (62%)	23,921 (63%)	24,925 (63%)	25,363 (63%)	780 (68%)

¹ Change was calculated as the slope of the line using five years of data (least squares).

Table 3

Zero-order correlations: EEP characteristics and change in average pay

Status	Employment Equity Program (EEP) characteristics			
	EEP effectiveness	EEP formalization	EEP comprehensive	EEP support
White				
Men	.10*	.14**	.05	.05
Women	.10*	.16**	.02	.01
Visible Minority				
Men	.07	.09	.02	.02
Women	.11*	.16**	.05	.02
Disabled				
Men	.05	.08	.01	-.03
Women	.20**	.18**	.21**	-.03
Aboriginal				
Men	.12*	.18**	.04	-.01
Women	.10	.11	.13	.09

Note: *** $p < .001$; ** $p < .01$; * $p < .05$ (one-tailed test).

minorities and disabled women these percentages have also climbed over the five-year period (although more slowly) reaching 72 per cent and 71 per cent in 1993, respectively. In 1993, aboriginal women earned only 63 per cent of the wages earned by white men. Male designated group members earn a much larger percentage of the average pay received by white men. In 1993, male members of visible minorities earned about 94 per cent of the wages earned by white men. Similarly, disabled men earned about 96 per cent and aboriginal men earned about 90 per cent. Over the five-year period, these percentages decreased slightly for male visible minorities and aboriginal men, and remained relatively constant for disabled men. In summary, while the average pay of male designated group members is remaining the same or decreasing, the average pay of white women is increasing (relative to white men). This suggests that the wage gap is closing for women, and especially for white women where the steepest climb in percentages is observed.

Change in Average Pay differed across designated group, was greater for men than for women and was the greatest for white men. The average salary earned by white women increased at approximately the

same rate as the average salary earned by white men (\$1,138 and \$1,146 respectively). Since the average salary earned by white women is lower than the average salary earned by white men, receiving the same salary increase (in dollar value) means that women received a larger percentage increase in pay. Although the salary increases are smaller, a similar pattern is observed for visible minority, aboriginal and disabled women.

The Wage Gap and Employment Equity Programs

Correlations among *Change in Average Pay*, *EEP Effectiveness*, *EEP Formalization*, *EEP Comprehensiveness* and *EEP Support* are reported in Table 3. Although correlations cannot confirm causation, it is assumed to be more likely that the type of EEP adopted in 1990 would lead to reductions in the wage gap than the reverse (i.e. reductions in the wage gap caused organizations to adopt specific types of EEPs). Therefore, significant correlations suggest that the EEP predicts changes in average pay.

More developed and better EEPs predicted greater changes in average pay in many groups. *EEP Effectiveness* was corre-

lated with change in average pay of white men ($r = .10, p < .05$), white women ($r = .10, p < .05$), visible minority women ($r = .11, p < .05$), disabled women ($r = .20, p < .01$) and aboriginal men ($r = .12, p < .05$). The most influential characteristic of an EEP was clearly *EEP Formalization*. More formalized EEPs were correlated with greater changes in average pay of white men ($r = .14, p < .01$), white women ($r = .16, p < .01$), visible minority women ($r = .16, p < .01$), aboriginal men ($r = .18, p < .01$) and disabled women ($r = .21, p < .01$). *EEP Comprehensiveness* was correlated with greater changes in average pay of disabled women ($r = .21, p < .01$). *EEP Support* was not significantly correlated with any of the dependent variables.

These results demonstrate that organizations that adopt better and more formal EEPs are more likely to reduce the wage gap between white men and designated group members. That is, EEPs not only increase employment opportunity, they also appear to increase pay opportunity. Contrary to expectations, however, more formal EEPs were also correlated with greater change in average pay of white men. This suggests that white men are also benefitting from EEPs. One explanation of this phenomenon is that more formal EEPs bring about more formal practices such as job evaluations, pay scales and performance appraisals, and that these practices benefit all groups, including white men. Alternatively, white men may be being 'rewarded' with pay for their assistance in integrating women and minorities in the workplace.

Conclusions

In conclusion, the results demonstrate that organizations subject to the *Employment Equity Act* are succeeding, although slowly, in reducing the wage gap between white men and the four designated groups. The results also suggest that white women are benefitting the most from changes in salary allocations. No progress, however, is evi-

dent in the top-paying salary categories where white men are still enjoying the greatest salaries and salary increases. Further, although the wage gap is closing for visible minority, disabled and aboriginal women in the mid to lower salary categories, the wage gap is widening in the higher salary categories. The results of this study also demonstrate that organizations that adopt better EEPs are able to reduce the wage gap more rapidly. Better EEPs (especially more formal ones) appear to provide increased job and pay opportunity.

On a managerial level, employers should ensure that their EEP is formalized, comprehensive and supported. These characteristics not only lead to increased hiring and promotion of designated group members, they also lead to wage gap reductions. In other words, employers can assist pay equity efforts by ensuring that all employees have the same earning *potential*. Employers should also ensure that designated group members who are promoted or hired in non-traditional occupational categories are receiving the same wages as white men. That is, increased representation in any occupational category should not be in 'name only'; it should also reflect the same advantages and benefits received by white men. Since experience is often cited as an important determinant of salary, employers should also provide training and development opportunities to designated group members (e.g., educational assistance, mentoring) to increase their promotability. Finally, employers should (and must with the introduction of comparable worth legislation in many jurisdictions) identify comparable jobs and adjust salaries accordingly.

On a policy level, policy-makers can assist the achievement of pay equity in three ways. First, all employees should have equal access to better paying jobs (i.e. equal pay potential). Employment equity legislation addresses this need by stipulating that employment barriers must be eliminated and that Canada's workforce profile should be reflected within organizations. Although

previous research has demonstrated that progress is being made in increasing the representation of designated group members in all job categories, progress has been slow (see Leck and Saunders, in press). Speeding up the rate of change could be accomplished by: (1) mandating how an EEP should be designed (e.g., must be formalized, have specific objectives, etc.); (2) requiring that EEPs be submitted along with statistical reports (to monitor EEP design); (3) recommending minimum hiring and promotion objectives; (4) fining organizations who do not reach their stated objectives; and, (5) extending employment equity legislation to cover more organizations.

Second, employees should earn the same pay for performing the same work (i.e. equal pay for equal work). At this point it is difficult to ascertain from the Employment Equity Employer Reports if designated group members promoted or hired into upper level positions are receiving the appropriate salary and benefits. Employer reports should be modified so that the salary received by newly promoted or hired designated group members can be easily compared to newly promoted or hired white men. In this way, both the organization and the government could track progress in achieving pay equity.

Third, employees should be paid according to the value of their work. Legislation mandating this requirement is becoming increasingly common and organizations should expect that this trend will continue. Policy-makers should establish mechanisms with which progress towards achieving this end can be measured and controlled. Since this can be a costly exercise for organizations, an incentive program (as opposed to the fines of the *Employment Equity Act*) may be useful.

Because the data were reported by salary category and not job title, examining averages across organization and sector may have been unfair (see Christofides and Swidinsky, 1994). For instance, a middle level manager in the banking sector may

earn a higher salary than a similar manager in the transportation sector. If this is the case, then any given salary category could represent many different job levels. As a consequence, some conclusions should be interpreted with caution. Future research should compare salaries of designated group members and white men sharing the same job title to ensure that employment equity efforts are not simply reclassifying employees (i.e. changing their job title but not their salary). Further, because job title information was not available, it was impossible to ascertain if pay had been adjusted to reflect job 'value'. If initiatives to pay according to value had been effected, then this also would contribute to wage gap reductions.

The data used were limited to those organizations subject to the *Employment Equity Act*. As a consequence, we were unable to ascertain if organizations subject to the Act behaved any differently than organizations not subject to the Act. It is possible that any progress in reducing the wage gap among these organizations is due to some other factor (e.g., change in societal attitudes). Although a comparison with other organizations was not conducted, we believe that the Act is having a direct effect for the two reasons. First, organizations subject to the Act should be highly motivated to eradicate discrimination in the workplace for many reasons, such as fear of fines, stronger legislation, loss of government assistance and negative publicity. Therefore, the *Employment Equity Act* has likely influenced employer behaviour by motivating them to eliminate *all* forms of discrimination in the workplace, including pay discrimination. Second, it was demonstrated in this research that better EEPs predicted greater changes in average pay. Since it is the Act that requires the adoption of an EEP (and EEPs are rarely adopted voluntarily), the Act is having a direct effect on wage gap reduction by increasing pay potential. Future research should nevertheless examine how organizations subject to other forms of legislation

(or no legislation), have succeeded in reducing the wage gap. We expect that changes among other organizations has been smaller because they have been exposed to legislative pressures for less time, are less visible, and have fewer resources to invest in human resource practices. If this is true, then the rate at which the Canadian wage gap is closing is bounded by the results of this study. This is disturbing, as the results of this study demonstrate that although change is occurring, it is occurring slowly.

Finally, the sample used in this study represents less than 10 per cent of all Canadian organizations and is comprised of mostly large organizations (average number of employees = 1,300; minimum number of employees = 100). This is not representative of Canadian industry and consequently one cannot conclude that similar legislation or EEPs would be equally effective on other, smaller organizations. Since larger organizations have more resources (both in terms of money and human resources), they are in a stronger position to effect the changes required to increase wages and achieve pay equity. Future research is required to identify what measures can assist smaller organizations to achieve pay equity in the workplace.

Notes

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- 1 Note that no midpoint was calculated for the first and last pay category. The first pay category (<10,000) was left at \$10,000 as the midpoint of \$5,000 was not realistic (under minimum wage for full-time employees). This acts to overestimate average pay. The last pay category was truncated (any salary over \$70,000 became \$70,000) as no maximum was reported. This acts to underestimate average pay.

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