Private-Sector Experience with Pay Equity in Ontario

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Since 1988, the most comprehensive comparable-worth or “pay-equity” law in North America has been in effect in Ontario (Read 1996, p. 15). Ontario’s Pay Equity Act is significant in several respects. Its scope, first of all, includes not just Ontario’s public sector, but also all firms with at least ten employees in Ontario’s private sector. In addition, the Ontario law is proactive, rather than complaints-based. In other words, instead of leaving to female employees the burden of proving that they are underpaid, the Ontario law places the responsibility on employers to base pay levels on comparable-worth principles.

In this paper, we analyze the new Ontario pay system and evaluate its experience to date, especially
with respect to the experiences of individual firms implementing pay equity. The Ontario Pay Equity Commission has sponsored several surveys of the implementation process and its effects. After reviewing the results of these surveys, we discuss the findings from our own survey of private-sector employers.

**Ontario’s Pay Equity Act**

Ontario’s pay-equity law, Bill 154, became effective on 1 January 1988. There were several reasons for the bill’s passage at that time. As can be seen from Table 1, not only did the overall female-male pay gap not seem to be falling in Ontario, but it was also higher than that experienced in most other provinces. In addition, pay equity had already been put into law for the federal sector in Canada and for the public sectors in Quebec (1976) and Manitoba (1985). Moreover, the political situation in Ontario in 1988 was ripe for those supporting pay equity. A coalition had emerged between the Liberals and the New Democratic Party (NDP), both of whom supported pay equity.

Along with Ontario, Quebec, and Manitoba, several other Canadian provinces have implemented, or are in the process of implementing, pay-equity arrangements of some type. In Prince Edward Island, New Brunswick, and Nova Scotia, some parts of the public sector are covered. Newfoundland and British Columbia are implementing a pay-equity framework involving public-sector unions and the provincial governments.2

The implementation and enforcement of the act was assigned to the two divisions of the Pay Equity Commission, the Pay Equity Office and the Pay Equity Hearings Tribunal. The Pay Equity Office conducts research on pay-equity issues and renders assistance to firms, employees, and unions in cases where agreement on a pay-equity plan is not reached or where the act is violated. The Pay Equity Hearings Tribunal has the authority to rule on questions of fact or law as they arise (Pay Equity Commission 1996).3

**Who Is Affected?**
The scope of the Ontario Pay Equity Act is very broad. All employers in the public sector and all

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**Table 1**

Female-Male Average Earnings Ratios in Ontario and Other Canadian Provinces, Full-Year Full-Time Workers, 1984-1995

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<tr>
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<td>.642</td>
<td>.645</td>
<td>.648</td>
<td>.660</td>
<td>.698</td>
<td>.719</td>
<td>.735</td>
<td>.696</td>
<td>.737</td>
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<td>.751</td>
<td>.730</td>
<td>.734</td>
<td>.697</td>
<td>.699</td>
<td>.688</td>
<td>.671</td>
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<td>.696</td>
<td>.717</td>
<td>.800</td>
<td>.808</td>
<td>.801</td>
<td>.835</td>
<td>.775</td>
<td>.773</td>
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<tr>
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<td>.644</td>
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<td>.658</td>
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<tr>
<td>New Brunswick</td>
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<td>.648</td>
<td>.695</td>
<td>.658</td>
<td>.661</td>
<td>.702</td>
<td>.617</td>
<td>.639</td>
<td>.653</td>
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<tr>
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<td>.695</td>
<td>.659</td>
<td>.685</td>
<td>.701</td>
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<tr>
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<td>.675</td>
<td>.754</td>
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<tr>
<td>Alberta</td>
<td>.656</td>
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<tr>
<td>British Columbia</td>
<td>.647</td>
<td>.632</td>
<td>.618</td>
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<td>.702</td>
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Source: Statistics Canada, various years.
private-sector employers with at least ten full- or part-time employees are required to implement steps to ensure that pay for female-dominated jobs is the same as pay for male-dominated jobs of equal value. Ontario is the only province that currently requires that pay equity be attained in the private sector. The Ontario law specifies somewhat different provisions depending on the size of private (though not public) employers, however. Private-sector employers with at least 100 employees are required to develop pay-equity plans, post such plans in the workplace, and implement them as well. Firms with between 10 and 99 employees are not required to develop or post plans, but are still required to ensure that female jobs pay the same as male jobs of equal value. Employers with fewer than ten employees are exempt from the act altogether.

The Process of Attaining Pay Equity

Employers subject to the Ontario act must undertake the following steps to achieve pay equity (Pay Equity Commission, 1993b): (i) select a pay-equity plan or plans; (ii) determine male and female job classes; (iii) implement a “gender-neutral” job evaluation system; (iv) compare the compensation of female and male job classes of similar value to determine the adjustments needed to attain pay equity. We briefly discuss each of the steps below.

Selecting the Pay-Equity Plan(s)

As mentioned above, the Pay Equity Act requires all employers in the public sector and all private-sector employers with at least 100 workers to develop pay-equity plans. There must be one pay-equity plan for each bargaining unit and one for all non-union employees in each of an employer’s establishments. In unionized workplaces, the union and the employer negotiate the pay-equity plan and the timetable of pay adjustments. The adjustments can be negotiated either in conjunction with or separately from the regular collective-bargaining process.

Determining Male and Female Job Classes

According to the act, a male job class is one in which men hold at least 70 percent of the positions in that class, whereas a female job class is one in which women hold at least 60 percent of the positions. All other job classes are considered to be “gender-neutral.” However, there are exceptions to this standard. According to the “historical incumbency” rule, if a job class has in the past been occupied primarily by one gender, it may still be classified as a male or female job class despite its current gender makeup. Another exception, the “gender-stereotyping” rule, provides that if a particular job class, for example, truck driver, is one typically considered to be a male (or female) job class, then despite the current composition that class can still be considered to be a male (or female) job class (Pay Equity Commission 1993b).

Selecting a Gender-Neutral Job Evaluation System

The Pay Equity Act requires each firm to select a “gender-neutral” job evaluation system, but leaves firms free to use already-existing job evaluation systems (if they are gender-neutral) or develop their own. Systems that rely on existing market wages and salaries, however, are not considered appropriate for pay-equity purposes by the Commission because they allegedly reflect gender bias. But the system used must compare the job classes according to the following four factors: skill, effort, responsibility, and working conditions (Pay Equity Commission 1992).

Comparing and Adjusting the Pay of Male and Female Job Classes

Once the job evaluation process is complete, the compensation levels of female and male job classes of similar value must be compared. Pay-equity comparisons are made only among job classes within the same establishment. Where the compensation of a female job class is less than that of a male job class of similar value (a “comparator”), the act requires upward pay adjustments.

The act sets a limit on the rate of necessary pay adjustments each year that employers must implement to achieve pay equity. Private-sector
employers may limit their annual pay adjustments to one percent of the previous year’s payroll, but no date has been set for when complete pay equity must be achieved. Public-sector employers, however, must complete pay equity no later than 1 January 1998 (Pay Equity Commission 1993, p. 3). 8

**Criticisms and Controversies Concerning Pay Equity in Ontario**

It is probably not surprising that there have been a number of criticisms of the Ontario Pay Equity Act and its provisions. The criticisms have come not only from those who believe the act is an unwarranted interference in the workings of the labour market. Complaints have also been voiced by others who claim the act has not gone far enough to combat pay discrimination against females.

**Criticisms by Opponents**

*Problems with Job Evaluation*

A major criticism of comparable-worth policies in general is that they relegate pay determination to job evaluation rather than to market forces. As Rhoads (1993) points out, a comparable-worth scheme can consequently distort the signals needed for proper resource allocation in a labour market. For example, he notes that in Minnesota (the only state which mandates that local governments implement comparable worth) many libraries have had 40 to 60 applications for every opening, while still having had to give salary increases of 20 to 60 percent because the work of librarians has been “undervalued.”

Perhaps the most serious problem with substituting job evaluation for market-pay setting is that job evaluation is a very subjective process. This subjectivity can mean experts differ in the job factors they selected, in the weights they assign to the factors, and in the number of points they assign to factor categories. It is interesting to note that, because of the inherent variability across job evaluation schemes, Manitoba has required that a standard job evaluation method be used in its goal to achieve pay equity in the public sector.

*Employment Effects*

Another criticism of the Ontario pay-equity law (and of comparable-worth policies in general) is that, in raising the pay of women, it may also lower their employment levels. The policy thus acts like a minimum wage set above the market-clearing wage.

What evidence is there for this? Although we will later examine the case of Ontario, there is already evidence that similar policies elsewhere may have produced adverse employment effects. Killingsworth (1990) notes, for example, that in San Jose, California, where pay-equity adjustments of female municipal workers were implemented throughout the 1980s, a reduction of nearly 7 percent occurred in female-male relative employment. He also points to similar declines in Minnesota and other jurisdictions. 10

In short, there is evidence that comparable worth may adversely affect female employment. The Employment Equity Act of 1993, which would have required Ontario businesses to move toward a workforce that reflected the percentage of women (and other minorities) in their communities, was meant to serve as a counterweight. However, the recently elected Conservative Government in Ontario repealed this law in December 1995 (Bill 8, The Job Quotas Repeal Act).

**Criticisms by Proponents**

Interestingly, a good deal of the criticism directed at Ontario’s pay-equity law has come from proponents of comparable worth. The criticisms concern the gaps in coverage, the absence of a monitoring system, and the exceptions permitted under the act. 11

**Coverage Gaps**

As we have stated, comparisons of the worth of male and female jobs must only be made within and not across establishments. Thus, the act effectively excludes many women working in firms in which the labour force is mostly female because within
such firms there may be few — or no — male comparators (Robb 1990, p. 18).

Since the wage comparisons mandated by the original Pay Equity Act were job-to-job comparisons, critics have also argued that even many women working in firms that employ a large number of males have been excluded. This would be the case where there were female job classes for which no male comparators existed within the firm. However, this situation has now changed since the 1993 amendments to the act requiring “proportional-value” comparisons for unmatched female job classes. The proportional-value approach requires that the relative pay levels of males and females reflect the relative valuation of their jobs (Pay Equity Commission 1993d, pp. 8-18).

The Absence of a Monitoring System
According to McColgan (1993, p. 278) “The failure of the legislation to require any monitoring of pay equity makes it impossible to determine the extent to which employers may have manipulated job comparison systems.” The problems stemming from the absence of monitoring can take many forms. For example, where workers are not organized in unions, the choice and application of a particular job evaluation is left to the employer. An employer could therefore implement a system that could be used merely to maintain existing pay differentials without the fear of a challenge from employees.

It is noteworthy that as of January 1995, the Pay Equity Commission began to randomly select private-sector employers with 100 or more employees to check for compliance, prompted by pressure from employers and bargaining agents. However, because of cutbacks, this monitoring may not continue.

The Exceptions
One of the more controversial features of the Ontario Pay Equity Act is the matter of allowable exceptions. According to Sections 8(1) and 8(3) of the act, differences in the pay of males and females in job classes of equal value are permitted in the following instances: (i) where there is a formal seniority system; (ii) for temporary training positions; (iii) where there is a temporary skills shortage within an area; (iv) where there exists a formal merit plan; (v) in situations involving red-circling (i.e., the downgrading of a position which results in wages higher than the downgraded position would warrant); and (vi) for “casual” workers. These exceptions are to apply to males and females equally, and employers must be able to prove that they are not a result of gender bias (Pay Equity Commission, n.d.).

The exceptions, not surprisingly, have been criticized by some proponents of pay equity. As Robb (1990, p. 18) points out, “Clearly, allowing such exceptions is a double-edged sword. While many of these provisions are essential if the labour market is to be allowed to operate efficiently, it is also recognized that they can be used by employers to circumvent the legislation.”

One of the more interesting exceptions allowing male-female pay differences occurs in Section 8(2) of the act. Once pay equity is achieved between male and female job classes in a situation where the only male comparator is in another bargaining unit, later pay differences which might re-emerge as a result of union bargaining power are permissible. The rationale for this exception is understandable. If exceptions could not be made for pay differences due to bargaining power, there is the risk of an escalating wage spiral (Green Paper 1985, p. 41). Moreover, a comparable-worth pay policy would in effect be extending the effects of unionism and collective bargaining to all workers — organized and unorganized — and could create free-rider problems. Nonetheless, this exception has also been seen as yet another opportunity for employers to evade their legal responsibility of bringing about equal pay.

Effects of the Pay Equity Act

Studies Sponsored by the Pay Equity Office
To date, the Pay Equity Office (PEO) has commissioned five studies which examined the pay-equity
experiences of public-sector and private-sector employers. For the most part these studies were based on the results of mail-survey questionnaires sent to several hundred employers. The purpose of the studies was to measure pay-equity outcomes with respect to such questions as the percentage of employers making pay-equity adjustments, the magnitude of the adjustments, and implementation costs. The studies were also set up to ascertain to what extent pay-equity outcomes varied by employer type, for example, large vs. small, public vs. private employers.

Amongst the more interesting findings of the PEO studies is that the payroll effects of pay equity have been rather small, especially at the private-sector firm level. For example, pay increases averaged only 2.6 percent of total payroll for public-sector employers, 0.7 percent for large private-sector employers, and 0.5 percent for small private-sector employers. These adjustments also indicate that pay equity was much more costly for the public sector, with public-sector adjustments about four times higher than those in the private sector.

A significant percentage of firms made no pay-equity adjustments whatsoever, for example, 53 percent of firms with 10-49 employees (Institute for Social Research 1994, p. ii) and 61 percent of firms with 50-99 employees (Canadian Facts 1993, p. 36). Furthermore, another 43 percent of medium-sized firms estimated that their adjustments would probably amount to less than one percent of payroll (Canadian Facts 1992 Vol. 1, p. 44). In 84 percent of the plans reported for firms employing from 50-99 workers, fewer than 50 percent of the female job classes were expected to receive adjustments (Canadian Facts 1993, p. 32). These small adjustments and the fact that so few female job classes actually received adjustments have fueled suspicion that employers may have manipulated the choice or administration of job evaluation plans (McColgan 1993, p. 277).

The administrative costs of implementing pay equity have also apparently been quite modest. The administrative cost of implementing pay equity in the public sector was found to average $173 per employee. In the private sector the costs ranged from $88 to $168 per employee, with costs smaller for the very large firms (SPR Associates 1991, p. 41; Canadian Facts 1992 Vol. 1, p. 45 and 1993, pp. 42-43; Institute for Social Research 1994, p. 29).

As far as coverage gaps are concerned, there were no male comparators for 32 percent of the female job classes at public-sector employers and for 28 percent of the female job classes at the large private-sector employers (SPR Associates 1991, p. 31). And approximately 45 percent of pay-equity plans surveyed for firms with 50-99 employees had no comparators for some of their female job classes (Canadian Facts 1993 Vol. 1, p. 31). Interestingly, comparators were less likely to be found in firms where the proportion of females was high and where there was no union. The employees in these female job classes were thus excluded from (the first round of) pay-equity adjustments.

In short, the results of the PEO studies reveal that the effects of pay-equity plans so far have been rather modest.

**Our Survey of Private-Sector Firms**

In response to what we and others saw as the need for further research on the effects of the Ontario Pay Equity Act (see, for example, the plea made by Gunderson and Riddell 1991, p. 172), in the summer of 1994 we undertook a small survey of 27 private-sector firms in the Toronto area. Why the need for another study? We felt there were several reasons. First of all, there were a number of questions concerning both pay-equity processes and outcomes that we felt were inadequately addressed or ignored altogether in the PEO studies. For example, have there been many firms that have taken advantage of the exceptions to attaining pay equity? How have unions dealt with pay equity? Has pay equity had any effects on employee morale and productivity? Has the employment of women been adversely affected by pay equity? We also saw a need
for more information about the difficulties that firms experienced and the matter of non-compliance. We hoped that respondents would perhaps be more forthright if questions were posed in a survey not sponsored by — indeed, one connected in no way with — the Pay Equity Office. In at least one PEO study, it was stated that “many employers were found to be resistant to supply of information [sic]...” (SPR Associates 1991, p. iii). Indeed, someone we contacted hesitated to supply us with detailed information because confidentiality had not been maintained by previous interviewers.

Many of the studies sponsored by the PEO also found that a good number of employers were very far behind the mandated schedule in fulfilling various requirements of the act. For example, the 1991 SPR Associates study reported that “compliance with posting requirements had been poor at the time of the survey, with only 50 percent of private-sector organizations and 46 percent of public/regulated sector organizations having posted all their plans by September-December 1990 [the time of the survey].” This was, by the way, 9 to 11 months after the date required by the act. And the York University survey of private-sector organizations employing 10-49 employees (done in the spring of 1994) found that 80 percent of those employers contacted “had not done any work toward pay equity.” Clearly, then, some of the PEO surveys may not have acquired a true picture of the pay-equity experience because they were conducted before many employers had completed (or in some cases even begun) their pay-equity processes.

Finally, most of the PEO surveys (with the exception of the 1991 Avebury report) give no details about the reasons for employer responses and provide no examples. It is true that several of the surveys did ask questions about whether pay equity has had “positive, negative, or no effects” on such matters as union-management relationships, personnel systems, communications about compensation issues, and morale (for example, SPR Associates 1991, p. 39). But the surveys only report the percentages of firms reporting positive, negative, or no effects and provide no further details about these effects or their importance.

Our survey sampled 27 private-sector firms in the Toronto area. The firms were selected because they were mentioned in materials at the Pay Equity Commission’s library, they were highly visible in the Toronto area, or there was a contact available to the interviewers. The general characteristics of these firms are described in detail in Appendix 1. Interviews were scheduled over the phone and were held during June, July, and August of 1994. Twenty-eight firms were called, and 27 interviews were conducted. Only one of the 28 (a retail firm) declined to provide us with information, and so was not interviewed. That firm (mistakenly) believed that it was not covered by the act (see note 25). Twenty-three of the interviews were face-to-face and held at the offices of the persons interviewed; four were telephone interviews.17 (See Appendix 2 for the list of questions asked.) At the four small firms employing fewer than 100 employees, the interviews were conducted with the president or general manager. At the 23 larger firms, interviews were conducted with the human-resource staff member who had been most directly involved with or who had overseen the pay-equity process. The various PEO studies had similarly requested that their mail-survey questionnaires be filled out by those chiefly responsible for pay-equity matters.18

The type of interview process that we chose of course took time, and we therefore had to restrict our sample. Considering the size of our sample and the nature of our survey questions (many of which are open-ended and probing), we should stress that our findings are largely qualitative and exploratory. In particular, it was our intention to elicit detailed information about various employer experiences with the pay-equity process.

We tried to ensure that there was considerable diversity in our sample of firms: there are 3
wholesale firms, 2 retail firms, 14 manufacturing firms, 5 service-sector firms, and 3 communications firms. Twelve of our firms have unions, whereas thirteen do not. Four of the firms were small (with fewer than 100 employees), 2 firms were medium-sized (with between 100-499 employees), and 21 firms were large (employing 500 or more employees). Our sample does contain a disproportionate number of large firms, but we feel that this should not be too problematical because a majority of women are employed by large firms in the private sector.

Because of our sample’s characteristics — in particular, its size and its focus on Toronto firms — our results may not necessarily be used to draw inferences about the pay-equity experiences of all firms in Ontario. However, the results of most previous studies that used larger samples may also be somewhat biased given the sponsorship by the PEO. These shortcomings notwithstanding, we nevertheless believe our results offer valuable insights into the workings of the pay-equity process as seen by those most closely associated with it. It should also be noted that, unlike the earlier PEO studies, all the firms in our sample (except the one non-complier) had completed the process, posted (if required), and made all the necessary adjustments in pay.

Survey Results
Throughout our discussion we have liberally interspersed comments made by our interviewees regarding their experiences with the pay-equity process. While they may be construed as anecdotal (again much like the Avebury study), we feel strongly that these comments sometimes capture more faithfully the experiences of those who have undergone the process than a questionnaire checklist. Table 2 is a summary of key findings.

Pay Adjustments and Administrative Costs
Our findings as to the direct costs of pay equity — payroll and administrative — closely mirror those of the earlier PEO studies. Regarding the frequency of pay adjustments, in the 15 firms that made (non-zero) pay-equity adjustments and were able to provide us with numerical information, fewer than 20 percent on average of the female workers received pay-equity adjustments. In fact, five firms in our sample (19 percent) gave no adjustments to any females.

The information reported to us about the average payout was somewhat varied. Some of the interviewees reported an average dollar increase, others an average percentage increase, others maximum amounts, and a few (three) “didn’t know.” Of those (four) who reported average percentage amounts, it was clear that the amounts were very modest: about 5 percent of the female employee’s base salary.

One of the more interesting findings is that all of the firms that made pay-equity adjustments (21) made the full payout in the first year, probably because the impact on the total payroll was small. None chose to drag it out over multiple years, as the law allowed in cases where the required payouts exceeded one percent of payroll (which was the case for only two of our firms anyway). The average increase for those firms which made adjustments and reported them to us (13) was less than 1.5 percent of payroll. What this means, of course, is that the direct payroll costs of pay-equity implementation were much smaller than many in the business community had feared. Because for the vast majority of firms the pay-equity process led to small changes in female employees’ compensation, many people we interviewed used these changes as evidence that their firms had been “doing it right all along.” One person at a large firm said that the absence of sizable adjustments showed that pay equity was a “non-issue.” Consequently, some considered pay equity a waste of time and money, alluding to consultants’ fees and committee members’ time away from business, rather than payroll costs.

Turning to administrative costs, we found that 17 of the 23 medium-to-large-sized firms interviewed hired outside consultants, whereas only one of the four small businesses did so. Another small business
## Table 2
Summary of Key Findings of Survey of Toronto Firms

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<tr>
<th>Category</th>
<th>Effect</th>
<th>Qualifications</th>
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<tr>
<td>1. Size and frequency of pay adjustments</td>
<td>Very modest: on average fewer than 15% of female workers in reporting firms received adjustments. Average pay adjustment was about 5% of female employee’s base salary. Average adjustment as percent of payroll was less than 1.5%.</td>
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<td>2. Administrative costs</td>
<td>Fifteen firms (58%) considered pay equity to be a significant administrative burden.</td>
<td>Eleven firms (42%) were concerned with indirect costs, i.e., time away from business or other tasks.</td>
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<tr>
<td>3. Non-compliance and manipulation</td>
<td>Many instances (37% of firms reporting) of non-compliance (not all intentional) or manipulation were uncovered.</td>
<td>Only one firm indicated it had no intention of complying with the act.</td>
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<td>4. Effects on firms’ compensation practices</td>
<td>Most firms (67%) made substantial changes in job evaluation practices.</td>
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<td>5. Effects on worker productivity</td>
<td>Most firms (81%) reported no significant effects on productivity, morale, turnover, or job satisfaction.</td>
<td>Of the 5 firms that reported significant effects on morale, 3 reported that the effects were negative.</td>
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<tr>
<td>6. Unions’ experiences with pay equity</td>
<td>In all cases, the pay-equity process went smoothly and was marked by little controversy.</td>
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<td>7. Allowable exceptions to pay equity</td>
<td>Five firms (19%) red-circled some male jobs; 15% used the merit or seniority exceptions; only 1 used the labour shortages exception.</td>
<td>Three firms still have informal merit pay systems — technically in violation of the act.</td>
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<td>8. Difficulties experienced with job evaluation</td>
<td>Twelve of the 27 firms studied (44%) experienced major difficulties, frustrations, and complaints with the job evaluation process.</td>
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<td>9. Employment effects</td>
<td>Only 2 of the 27 firms (7%) indicated a decline in female employment in response to pay equity.</td>
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<td>10. Overall satisfaction with pay-equity process</td>
<td>Fifty-nine percent of firms rated their overall experience with pay equity as positive; 33% rated their experience as negative.</td>
<td>Large firms were more likely to view the pay-equity experience as favourable than small firms.</td>
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</table>
consulted someone informally. Many of the firms that did hire consultants — 11 of the 18 (61 percent) — mentioned the high costs (one consultant’s fees were $120,000). In fact, the person interviewed at one large firm claimed that the consultant’s fees were much higher than the consequent wage adjustments! This widespread use of consultants by the firms in our sample is notable because it shows that few employers attempted to implement pay equity on their own, in spite of legislators’ stated intentions that pay equity be a self-managed process (Deschenes 1990, p. 46). The use of consultants also hints that many employers may see pay equity as a one-time affair rather than an ongoing process.

Of the 26 firms in our sample that completed pay equity, 15 (58 percent) found that implementing pay equity involved significant administrative costs. For example, one person at a large firm called pay equity a considerable “administrative burden.” It led to additional hiring (it created his human-resource job), while the committee process and the necessity of employees completing job-content questionnaires each took considerable time away from work. Another person estimated the true cost of pay equity — time away from business — to be about double the explicit pay-equity adjustment costs. Indeed, of the 15 firms that found pay equity to be a demanding task, 11 (73 percent) mentioned how time-consuming the process had been.

However, the remaining 11 firms (42 percent) — including two of the three small firms that did pay equity — found that pay equity was not a significant administrative task. For 3 of these 11 firms it was clear that the administrative costs were low because pay equity was not taken seriously. As one person admitted, “[W]e spent as little time and effort as possible to meet the pay-equity requirements since it is a non-issue in my opinion.” The person in charge at a small firm said that “we really did nothing for pay equity .... My understanding is that smaller firms are held to a different set of standards.” For the remaining eight firms that took pay equity seriously, we heard comments like “pay equity was pretty painless here” (at a small firm) and “it wasn’t an onerous task and it wasn’t expensive” (at a large firm).

Overall, though, our findings as to the explicit costs associated with pay equity seem to coincide with those of Deschenes (1990, p. 38) who said that “on the whole it appears that the apprehension expressed by employers regarding the cost of pay equity was overstated.” However, Deschenes (pp. 50-51) may have underestimated the implicit (opportunity) costs of pay equity, since many firms in our sample felt that the costs associated with time away from business were substantial.

Evidence of Non-Compliance and Manipulation
In conversations with the authors, the Pay Equity Commission expressed the sentiment that there appears to be “lots of non-compliance out there.” Of the 27 firms that we interviewed, however, only one, a small manufacturing firm, had ignored the act altogether and had no intention of complying in the near future. We did, however, uncover many instances of non-compliance with or manipulation of certain of the act’s requirements, even though we did not directly seek out this information. Rather, the examples that follow emerged in the course of our discussion. Overall, in 10 of the 27 interviews (37 percent) examples of non-compliance or manipulation of some of the requirements of the act became clear. Some were minor, some not. Some instances of non-compliance were apparently attributable to ignorance or misunderstanding, while others were clearly intentional. For example, one person interviewed revealed that at her former place of employment job classes were “juggled” so that none of the drivers who were paid Teamster rates would be used as a comparator. The person interviewed at another large firm admitted that male and female employees do not move through the pay bands at the same rate, which is a violation of the requirements of the act.
Another person told of his former employer’s strategy to avoid pay-equity adjustments: increasing the pool of employees so that it will always be possible to find a man who is paid less, so that no adjustments are necessary. Because pay-equity comparisons are made only among job classes within the same establishment, the employer’s ability to define the establishment could lead to manipulation so as to minimize pay-equity adjustments. For example, one large firm had 33 pay-equity plans; we were told that if it were to consolidate its pay-equity plans it would increase the size of the establishment and thereby increase its costs. Although the strategies are legal, they reveal the way some employers acted — manipulating and interpreting the law so as to minimize their pay-equity payouts. As such, the “violation” was of the spirit, rather than of the letter, of the law.

According to Section 14 of the act, there should be a pay-equity plan for each bargaining unit, and a pay-equity plan for that part of the establishment that is not in any bargaining unit. A large firm that we interviewed had one male-dominated union, and yet had only one pay-equity plan for the firm. (The person interviewed said that they chose to have only one pay-equity plan because they did not want the union to be used as a comparator.) Another firm put job evaluation systems into effect only for those plants that had both female- and male-dominated jobs. This is strictly in violation of the act.

One employer said that there is so much costly paperwork required of industry in Ontario that the attitude eventually becomes one of doing only the bare minimum to satisfy the law. He said that one could “massage” the data to obtain the desired results. He also claimed that an instructor of a pay-equity course at a certain community college encouraged data manipulation to avoid pay-equity adjustments as long as these would have been small anyway.

Another person interviewed at a medium-sized firm revealed that senior management, which was not directly involved in the pay-equity process, had attempted to manipulate the process after it discovered that there would be a large pay-equity adjustment. The firm’s pay-equity committee, however, stood its ground and threatened to go to the Pay Equity Commission. Senior management subsequently backed down.

Despite the instances noted above, all but one of those interviewed agreed that the Pay Equity Office should not become more involved in the process. One person at a large firm said that it would be “terrible” to have the commission enforce, for example, a standard gender-neutral job evaluation system because every business is different and therefore values jobs differently. All told, about 60 percent of the firms we interviewed claimed they still surveyed the market in the same way as they did before pay equity. These employers said that they want to ensure that their pay is fair relative to their competitors in the marketplace; otherwise they might lose good people.

Given the many instances of non-compliance we uncovered, it is clear that closer monitoring by the Pay Equity Commission is necessary. Our findings therefore support Ames’ concern that continual scrutiny is needed “to guard against efforts to undercut legislation through manipulation of implementation procedures” (1995, p. 709).

According to the Pay Equity Commission, a full-scale monitoring program of employers with over 100 employees began in 1995. Of over 500 employers monitored, nearly 40 percent had not posted all of their pay-equity plans, as required by the act (Pay Equity Commission 1996, p. 11). Read recommends that monitoring should continue and emphasize education and information. She also recommends that the monitoring efforts focus on at least one industry or sector per year (so that similar employers could share resources and expertise) and that the monitoring results be filed with the Ministry of Labour (1996, p. 61).
Benefits of Pay Equity to the Employer

Not all of the expected effects of pay equity on the employer are necessarily negative. As Deschenes (1990, pp. 65-66) points out, the benefits of pay equity to employers may be twofold: improved efficiency from the mandated rationalization of employers’ compensation practices and greater productivity on the part of those employees receiving adjustments.

Pay-Equity’s Effect on Firms’ Compensation Practices.

Only 9 of the 27 firms (33 percent) in our sample made few or no changes in their job evaluation systems. The remaining 18 firms (67 percent) reported substantial changes to their systems. In 6 of these 18 cases firms “junked” their job evaluation systems and “started from square one,” gathering job information through the use of questionnaires. For 7 of these 18 firms substantial changes were deemed necessary because they had nothing in place before pay equity. Accurate job-content information is important to the effective performance of a number of human-resource functions, including recruitment, hiring, training, and compensation. Improved job-content data brought about by pay equity may thus improve these functions and generate favourable effects on employee satisfaction and retention (Deschenes 1990, pp. 69-71).

The 18 firms in our sample that made substantial changes to their pre-existing job evaluation systems for the most part seemed to be very happy with the changes made. The person interviewed at one firm expressed surprise at how useful the pay-equity-mandated job evaluation system turned out to be. He had thought that he would use it once (for attaining pay equity), but had been using it ever since. Similarly, the person at a large firm said that the job evaluation system has become “the building block of all of [his] firm’s compensation policies.” People interviewed at several other firms that had instituted formal job evaluation programs where none had existed acknowledged that pay equity had allowed them to do what they had always wanted: as one person put it, “[to] institute a system and use it as a way to properly evaluate and compensate.” In addition, several firms mentioned that pay equity made them more aware of internal-equity issues, knowledge that may enable these firms to enact better pay practices in the future.

Still other positive reactions to pay-equity’s effect on compensation practices included the following:

- Pay equity made people more aware of the contributions made by other workers, and it broke down the barriers and perceptions about the roles the various functional groups played in the firm.
- Pay equity showed that men did not understand how work can be valued in a way that could be discriminatory to women.
- Pay equity forced firms to look critically at the procedures they had been using and led many of them to adopt job descriptions, a job evaluation system, and a formal pay structure.

However, even in those firms where the experience was generally favourable, there was still some concern expressed at how the “rigidity” implied by the job evaluation systems would cause them to lose “flexibility.” For example, restructurings would become even more difficult because many job descriptions would have to be changed.

Pay-Equity’s Effect on Worker Productivity.

Regarding the potential productivity gains on the part of those employees receiving adjustments, in the overwhelming majority of our firms (22, or 81 percent of those sampled) those interviewed felt that pay equity had no significant effect on productivity, morale, turnover or job satisfaction. There were, however, a few exceptions to this general finding. Two firms reported positive effects on morale. For example, the person interviewed at a large firm said that his employees were pleased with pay equity, despite receiving no adjustments, because the process had showed them that they had been treated fairly all along. Similarly, the person interviewed at
a medium-sized firm thought that the pay-equity process had a positive effect on loyalty and morale in that women in the company (the majority of the employees) now know the pay system is fair.

On the other hand, three firms believed pay equity had a negative effect on morale. For example, some white-collar workers were “insulted” by the comparisons made between them and blue-collar workers: at one firm where a senior secretary was deemed “equivalent” to a diesel engine mechanic, and at another where a legal assistant’s male comparator was a purchasing manager. In a few workplaces women receiving salary adjustments felt that they should have received them earlier. At one large firm, some female employees were pleased with their male comparators, while others were “incredulous.” At another large firm, there was no “uproar,” but there was bitterness among some men who felt that pay equity was unfair to them.

But, overall, the typical firm in our sample reported that pay equity had minimal effects on morale and productivity. Our finding thus provides little support either for the claims in the *Green Paper* (1985, p. 48) that higher wages might contribute to lower turnover and increased productivity or for those who argued that most employers believed that the pay-equity process has had a negative impact on employee morale and on perceptions of fairness (Smeenk 1993, p. 14).

**Unions and Pay Equity**

Ten firms in our sample were able to provide some information on their pay-equity experience with unions. In all cases the unions’ experiences with pay equity apparently went smoothly and were marked by little controversy (although two firms did not provide detailed information). At three firms the unions were described as being cooperative or supportive of the pay-equity process. At three other firms the unions’ experience with pay equity was described as a “non-issue” because the unions were comprised almost exclusively of males. At yet another large firm it was claimed that their unions “looked at pay equity as an opportunity to have one more kick at the cat.... Their attitude was that one percent should take care of it.”

Five of these unionized firms (50 percent) used the same job evaluation system for their unionized and non-unionized employees. In such cases, typically the non-unionized employee received wage increases. The remaining half used different job evaluation systems (and, in at least one case, different committees) for their union and non-union employees. Also, different weights were applied to the various factors. The existence of multiple job evaluation plans within the same firm makes comparisons of the worth of jobs in different sectors of the firm difficult (Fudge 1990, p. 7).

Six of our ten unionized firms provided detailed information on their pay-equity experiences. In all cases except one (83 percent), the unions negotiated pay equity separately from the normal collective-bargaining process. One person interviewed said that this was because collective bargaining was “difficult enough without pay equity.” Another person interviewed said that the separation occurred because the collective-bargaining negotiations are very intense and pay equity would have interfered with the normal negotiations process. The person interviewed at another large firm, however, said that it was simply a matter of timing: pay equity had to be addressed before the collective agreement had to be re-negotiated. The person at still another large firm said that the firm would not want a pay-equity clause in the collective agreement because “it could come back to haunt you.”

Only four of our unionized firms provided information on how they made job comparisons. Three of these four firms made comparisons only in the same bargaining unit. Only one company went outside the bargaining unit for comparisons, but always remained within the same establishment.

In the deliberations that led to the *Pay Equity Act*, employers with unions had argued that pay equity
would contribute to labour tension (Deschenes 1990, p. 35). In our sample survey, however, we found that unions’ experiences with pay equity were relatively benign; and in the vast majority of cases the pay-equity process with unions was relatively non-controversial and went smoothly.

**Allowable Exceptions to Pay Equity**

As mentioned earlier, once pay equity has been achieved, later pay differences which might re-emerge as a result of union bargaining are permissible. Also, differences in the pay of males and females in job classes of equal value are permitted where there exist a formal merit plan, a formal seniority system, “red-circling,” or a temporary labour shortage. Interestingly, we found that very few of those interviewed knew about some of these exceptions to pay equity. “Red-circling” was the most commonly used allowable exception: 5 of the 27 firms (19 percent) did red-circle some jobs.

Despite the act’s allowing for union bargaining to reopen male-female wage gaps, this did not transpire at any of the firms that we interviewed, nor did the firms believe this would become an issue in the future. In at least one case no gaps had reappeared because union negotiations had not yet begun. In another case the employer had negotiated with each union since pay equity, but pay equity had not come up as an issue.

Differences in the pay of males and females in job classes of equal value are also permitted where the firm has instituted a *formal* merit plan. Yet, three firms in our sample admitted to determining merit pay in an ad hoc or “informal” fashion, which is technically not allowed under the act. Deschenes (1990, p. 73) reported that employers were generally not inclined to use this allowable exception because the Pay Equity Commission had “put employers on notice” that exceptions should be used with great caution. (Also, employers naturally wish to avoid situations which may later lead to complaints or litigation.) Overall, however, 4 of the 27 firms (15 percent) made use of the merit and/or seniority exceptions permitted in the act.32

Eleven of the firms that we interviewed reported having merit pay, that is, pay for performance, based on an annual performance evaluation. And five of these firms (19 percent) had newly instituted a merit pay program, thanks to pay equity. This latter finding is important in understanding the potential benefits from pay equity, because research has shown that merit plans seem to enhance productivity.

Finally, most firms had no policies in place to deal with temporary skills shortages, and many did not even know about this exception to pay equity. Only one firm, a large manufacturing employer, used this exception to pay equity. Yet, it is unclear that this firm would have been able to “defend that a skills shortage exists ... [and] show difficulty in recruiting,” as required by the act (Pay Equity Commission 1994b, p. 5).

**Major Difficulties Experienced with Job Evaluation**

Job evaluation is an inherently onerous and subjective process. As Ames (1995, pp. 710-11) and others have argued, women’s work is widely devalued because it is women’s work, and value judgements (that may continue to demean women’s work) are often hidden in “technical decisions.”

In all, 12 of the 27 firms in our sample (44 percent) had major difficulties with or complaints about the job evaluation process. A problem mentioned by many of our survey respondents in evaluating jobs was the difficulty in separating the person from the job: there was a tendency to exaggerate or build up the value of a basic low-skill job that was being done by a superior worker. Another problem alluded to by a human-resources person was the need to continually challenge other committee members’ preconceived notions about job worth: for example, she found that many men did not realize the skill required to be a seamstress or a secretary. A person at another large company felt that the most difficult part of the process was having the (large) committee reach consensus. Although she believed that they eventually arrived at the worth of the job, the lengthy
bargaining required to get there was, in her words, “a big flaw in the whole process.” And, finally, the woman interviewed at a large firm said that “pay equity was one of the most difficult undertakings I have ever been involved in ... time-consuming, emotionally draining, conflict-ridden, and expensive.”

The person interviewed at one large firm felt that even so-called gender-neutral evaluation systems are not necessarily unbiased: for example, certain departments are ranked higher merely due to their “visibility” in the company. In this case she thought that the Hay system led to greater weight being given to operations than was appropriate, given the nature of her company’s business. The person interviewed at another company expressed concern that the selection of male comparators (job-to-job) is fraught with “randomness.” In our sample of 27 firms, 5 have more than 10 pay-equity plans each. Despite the obvious administrative burden, it may be that having different plans is a way to reduce required pay-equity adjustments. Many firms have adopted what seem to be unnecessarily complicated job-evaluation systems as well. For example, although the Pay Equity Commission recommends a 12-factor job evaluation system, a large firm that we interviewed has 31 factors, while two other large firms each have systems with 22 factors.

Eleven of the firms in our sample had grappled with proportional-value comparisons (and two more firms intended to deal with them in the near future). Most of these firms had hired consultants to do the proportional-value comparisons for them, but a handful of firms attempted them on their own. The person interviewed at one large firm was in the process of doing proportional-value calculations only for those jobs without male comparators (which is a violation of the act). He found proportional value to be “frustrating, time-consuming, and random,” asking “What is a good R-squared? What constitutes a ‘representative group’ of male employees?” The person interviewed at another large firm tried the proportional-value method, but later “junked” it because “it did not work,” preferring to use “pay for points” despite the Pay Equity Commission’s disapproval. Another person simply described proportional value as “meaningless.” Many of the people interviewed thought that the Pay Equity Commission had not provided good directions for making proportional-value estimates. Overall, the firms in our sample that tried proportional value had a poor experience with the process.

Employment Effects of Pay Equity
As we noted earlier, criticism has been levied against comparable-worth policies in general because, by increasing the pay levels of women, such policies may result in a decline in female employment. We found little evidence of this, however. For example, only one person whom we interviewed claimed that pay equity had accelerated the replacement of women with capital equipment (voice mail replaced receptionists). He also claimed that his firm had downsized — letting women go — because of the payroll effects of pay equity.

A related concern was that men would move into traditional “female” jobs; but once again, the vast majority of those we interviewed saw little if any evidence of this happening. Only two people interviewed (at large firms) said that there were isolated cases of men moving into female jobs, and that there would probably be more cases as plants mechanize and offer fewer unskilled jobs. All in all, though, our survey results indicated that the employment effects of pay equity were negligible, with only 2 of the 27 firms (7 percent) witnessing such effects. However, another two firms indicated that they believed the whole pay-equity process might well induce some firms to leave Ontario.

Overall Satisfaction with the Pay-Equity Process
One of the last questions we asked of those interviewed was that they evaluate their firm’s overall experience with the pay-equity process as either positive or negative. Interestingly, 16 of the 27 firms (59 percent) rated their firm’s experience as positive, although often cautiously so. Among the typical positive responses were the following:
Overall it was worthwhile.... We demonstrated to our employees that we were fair.

[There are] many holes in the pay-equity legislation ... however, pay equity keeps heightened awareness, so it’s good that it’s out there.

The pay-equity process went well.... It entailed lots of work ... [but] it was not a waste of time and resources.

Pay equity was a good, necessary process — great. It caused the “birth” of human resources and [produced a] positive effect on loyalty and morale.

On the other hand, 9 of the 27 firms (33 percent) had an overall negative experience. Some of the comments we heard included:

[Pay equity] is crap ... [a] non-issue ... [a] waste of time and resources.

It was a tremendous amount of bureaucratic work that may not have any impact at the end of the day.... It was a huge disappointment.... I used to believe in government involvement, but now I believe in market forces. This is regrettable. I believe in the principle [of pay equity], but do the methods actually accomplish it?

Pay equity is a flawed piece of legislation ... a windfall for consultants.... There is anger and frustration on the part of small business.

It was a costly administrative chore, and we didn’t gain much from the whole process.

Also, even at those firms that acknowledged benefits from pay equity, sentiments like “the less government interference, the better” were still expressed.

According to the studies commissioned by the Pay Equity Commission, the overall satisfaction with the pay-equity process was directly related to firm size:

Small businesses (those with fewer than 100 employees) were also more apt not to follow the Pay Equity Commission’s guidelines. For example, of the four small businesses interviewed (one of which did not comply at all), only one used the recommended committee approach and put a proper job evaluation system in place. Another of these firms admitted that it really did nothing substantial and made no adjustments (although it did “post a note” for its employees). The person interviewed felt that small business was safe in not paying too much attention to pay equity because they were less likely to be discovered.

The small businesses interviewed were on the whole more displeased (even angry and frustrated) with the entire pay-equity process than were the larger businesses. This is certainly understandable: small firms tend not to have the personnel or procedures in place that larger companies have. At several firms there was also significant resentment toward government intervention into the way they conduct their business, as well as a feeling that the government misunderstands the nature of a small business.

Conclusions

A summary of our principal findings is presented in Table 2, but let us emphasize the major ones here. In general, we found that pay equity did not have a pronounced effect on the compensation of females in the firms that we studied. Rather the effect was modest both with respect to the proportion of females receiving adjustments and the size of the average adjustment. This finding, of course, is not
surprising since it reconfirms findings reported in the earlier PEO studies.

A majority of firms (58 percent) in our sample, however, found pay equity to be a significant administrative burden, with a common complaint being the indirect costs (time away from work). In addition, most firms (67 percent) made substantial changes in their job evaluation practices, changes which brought with them major difficulties and complaints from a substantial number (44 percent).

As to the side effects of pay equity, a strong majority of firms (81 percent) reported no important effects on productivity, morale, turnover, or job satisfaction — effects that some observers had thought would mitigate the costs of pay equity to employers. On the other hand, neither did our sample of firms detect much evidence of adverse employment effects for female workers, as some critics had predicted (and observed for other jurisdictions).

Overall, 59 percent of the firms we studied rated their overall experience with pay equity as positive, although some cautiously so. This finding must be tempered by the fact that we did observe some evidence of non-compliance with or manipulation of the requirements of pay equity in more than one-third (37 percent) of our sample of firms.

At the time of this writing, pay-equity policy in Ontario is under some stress. The Pay Equity Commission’s funding has been cut and the Conservative Government in Ontario has capped pay-equity increases in the public sector (although this was recently ruled to be unconstitutional by Ontario’s high court). In addition, a government review of the Pay Equity Act (Read 1996) has recommended some rather sweeping (and controversial) changes. Among these recommendations are switching from the current proactive system to a “complaints-based” system and exempting employers with fewer than 50 workers from the requirements of the act. Finally, the Pay Equity Office would be eliminated altogether and its functions moved to the Ministry of Labour.

NOTES

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1“Comparable worth” and “pay equity” have become synonymous terms and are so used in this paper.

2For a more detailed discussion of the history and purpose of pay equity in Ontario (and Canada), see Read (1996) pp. 6-15.

3For more information about the Pay Equity Office and the Pay Equity Hearings Tribunal (including highlights of its decisions as a quasi-judicial administrative body), see the Pay Equity Commission’s Annual Reports, which began in 1992 and ended in 1996. In addition, the Read Report presents details about the current structure of the Pay Equity Commission and suggests recommendations for administrative and adjudicative reform (Read 1996, pp. 51-63).

4Quebec has currently tabled legislation that, if enacted, would also apply to the private (as well as public) sectors (Read 1996, p. 13).

5For a more detailed discussion of the steps involved in attaining pay equity, see Pay Equity Commission (1993b-d and 1994). Burkart also discusses the steps involved and various implementation issues (1990, pp. 18-31).

6See Pay Equity Commission 1993b for details regarding the job evaluation process: choosing factors and sub-factors, assigning weights to these factors, etc. The Commission’s handbooks also discuss the various job evaluation methods (like the point factor method) that can be used.
7See Pay Equity Commission 1993b for the details concerning the interesting and somewhat confusing process to be followed for finding the appropriate male comparator for a given female job. It is significant that pay equity may not be achieved by a downward adjustment in the compensation level of a male job class. Nor may a downward adjustment take place in a female job class that might be paid more than a comparable male job class.

8See Pay Equity Commission 1992 for more details concerning the timing of these pay-equity adjustments.

9The criticisms that we discuss do not exhaust those that have been advanced against comparable worth. In addition to the criticisms presented below, opponents of pay equity would also point out the competitive disadvantage faced by Ontario firms due to their higher payroll costs. See also Northrup (1985), Robb (1987), Gunderson and Riddell (1993), MacKinnon (1990), Lowe and Wittig (1989), and Aaron and Lougy (1986).

10Note, though, that Killingsworth’s findings are at odds with those of Sorensen (1990). See also Chavez (1985).

11Many proponents also feel that Ontario’s act has not gone nearly far enough to redress the existing salary inequities that females face. See also McDermott (1990) and Bakker (1991). In addition, some critics feel that one of the main reasons for the gender pay gap is the ghettoization of women in low-pay, low-status jobs. By increasing the pay that women receive in such jobs, current pay-equity laws exacerbate this problem and do not address the systemic causes of female domination of certain job classes.

12There had been a third method, the “proxy” method, that, unlike the proportional-value method, was restricted to the public sector. The proxy method was designed to allow public-sector employers with too few male job classes for either the job-to-job or proportional-value comparison methods to borrow information about job classes and job rates from other public-sector employers (in the same geographic area) where pay-equity plans had already been developed. However, the Harris Government’s January 1996 Amendments to the Pay Equity Act (Bill 26, Schedule J) repealed the proxy method of pay equity, effective 1 January 1997. According to the final report of the Red Tape Review Commission (1997, p. 101), “The government considered proxy comparisons to be unfair, cumbersome and costly to employers, and to have the potential to contribute to sectoral imbalances in wage rates.” On 9 September 1997, Ontario’s high court ruled that the repeal of the proxy method was unconstitutional. The government has not yet decided whether to appeal this ruling (See “Ontario Loses Pay-Equity Fight,” Globe and Mail, 9 September 1997, p. A1).

13The proportional-value approach allows male and female job classes within the establishment, but with differing values, to be compared based on their relative values. Using this method pay equity is achieved when the relationship between the value of the work performed and compensation received is the same for the female job classes seeking pay equity and for the representative group of male job classes (where this “representative” group will normally include all the male job classes in the pay-equity plan, but outliers may be removed [Pay Equity Commission 1993d, pp. 10-11, 24]). This is called a “job rate line.” Employers are advised that they should test the fit of this line and that the “better line is the one [with] the smaller sum of distances.” Employers are also advised that another way to construct a job rate line is to use regression analysis (1993d, pp. 15-19).

14As McDermott (1990) argues, because about 75 percent of women in Ontario’s labour force are not covered by collective-bargaining agreements, they may have little input regarding the pay-equity process.

15The first study, performed by Avebury Research and Consulting Limited (1991), examined the experiences of 26 public-sector and 39 private-sector companies (with over 500 employees). The second report, by SPR Associates Incorporated (1991), covered the public sector and large private-sector employers (those with 500 or more employees in 1987). The third study, undertaken by a private research firm called Canadian Facts, was published in 1992 and assessed pay-equity outcomes for 284 medium-sized private-sector employers with 100-499 employees. A fourth report, this one for firms employing from 50-99 workers, was also completed by Canadian Facts in March 1993. The most recent report, completed by the Institute for Social Research at York University in 1994, surveyed the experiences of small private-sector firms (those with between 10 and 49 employees).

16Although some critics might argue (e.g., McDermott 1990) that this might be indicative of employers manipulating the pay-equity process to their advantage, it could also be because smaller firms are both more likely to be
non-union and more likely to have comparator-less female job classes (Canadian Facts 1992 Vol. 1, p. 33).

17 The face-to-face interviews lasted between 45 and 60 minutes; interviews conducted over the phone averaged about 30 minutes.

18 We are not certain whether bias might have been present as a result of our interviewing mainly human-resource personnel. To the extent that the pay-equity process increased the profile and responsibilities given to human-resource departments, however, we suspect that human-resource employees would probably be more favourably disposed toward pay equity. However, the committee process used by many of the firms we interviewed would have exposed the human-resource personnel to the attitudes and experiences of a broad cross-section of employees.

19 Although our sample represents a cross-section of Ontario firms, it does not precisely reflect the distribution of employment by industry. In particular, with respect to employment, our sample overrepresents the manufacturing sector and underrepresents the service sector. However, we do not feel that our sample’s lack of representativeness with respect to employment constitutes a problem. As we have noted, we are not mainly concerned with making statistical inferences of a quantitative nature about pay equity’s effects on the average female employee in Ontario. Instead, our major focus is on describing in a largely qualitative fashion the experiences of firms with pay equity.

20 Two firms did not indicate whether or not they had a union(s).

21 According to A.R.A. Consultants, large firms, although fewer in number, represent a proportionally larger number of female workers. Small businesses, although larger in number, account for less employment: businesses with fewer than 20 employees account for only 24 percent of female employment (1986, p. 5).

22 The overwhelming majority — 14 of the 15 firms (93 percent) — gave these adjustments to 33 percent or fewer of their female employees. In fact, the majority of firms in our sample (8 of the 15 firms, or 53 percent) gave adjustments to 10 percent or fewer of their female employees. Including those who did pay equity and provided numbers but made no adjustments (20 firms), fewer than 15 percent of females received adjustments.

23 For most of these firms (11 out of 13, or 85 percent) the cost of all required pay-equity adjustments was one percent or less of annual payroll.

24 We are under the impression that many firms see pay equity as a one-time obligation. Fifteen of our sample of firms (58 percent) gave us the impression that they are somewhat committed to maintaining pay equity. It is noteworthy, however, that all but one of these firms had disbanded the original job-evaluation committees so that maintenance of pay equity was left to one or two human-resource personnel. The remaining 11 firms (42 percent) seemed to view pay equity as a one-time obligation and had no formal monitoring in place. This is partly the fault of the act itself as well as the Pay Equity Commission guidelines, both of which provide little guidance as to how pay equity is to be maintained. Many claimed that they would try to maintain pay equity at their firms, but they were concerned that other firms would not — partly because it is complicated to keep up as new jobs are added or restructuring occurs. In its Annual Report, the Pay Equity Commission discusses its efforts aimed at helping employers to maintain pay equity (1996, pp. 6-8). Read also discusses ways to ensure that pay equity is maintained (1996, pp. 46-50).

25 One retail firm that we called said that it did not have to take steps to attain pay equity due to the high level of turnover in its workforce and the fact that its employees received the minimum wage. But, temporary, part-time, and minimum-wage employees are covered in the act — only casual workers are excluded. This firm was not part of our sample because, given their belief that they did not need to comply, they had no information on the pay-equity process.

26 The results from the earlier PEO studies implied that the smaller the firm, the higher the rate of non-compliance. Our survey supports this contention since our one non-complying firm was small. However, we also found much evidence of non-compliance among the larger firms.

27 If there is more than one male job class of comparable value, then the job rate of the lowest-paying male comparator is used. Employers have an incentive, therefore, to structure their classifications and job evaluations so that they have multiple male-comparison groups, at least one of which has a low-paid male job rate.

28 The desire for the Pay Equity Office to be minimally involved may come from the unpleasant experiences
several firms had during the formal complaint process. For example, the person interviewed at a large firm described dealing with the PEO over its one complaint as “frustrating” and “costly.” He found out about the complaint only when a review officer came to his company to investigate. He was upset that the PEO had not made the employee first approach the employer in order to resolve the problem. He thought that the PEO acted on the assumption that the complaints were valid; in his mind, the whole review process was set in motion at the “whim” of an employee and there was no test of reasonableness.

29 Included in the group of firms making no significant changes were the three firms that did not seem to take pay equity seriously (see section entitled “Pay Adjustments and Administrative Costs”) and one firm that claimed that it already had internal equity.

30 There were also some negative comments about pay-equity’s effect on compensation practices, e.g.: “Pay equity targeted just one group of employees, thereby omitting men who are unfairly paid.” (At some firms men received pay-equity adjustments because they were in a female job class, e.g., clerks).

31 However, even those companies that were glad to be forced to implement a job evaluation system acknowledged that the benefits from these evaluations would probably be short-lived.

32 One of these four firms has a merit exception supported by the job evaluation system; but this could be a violation because its job evaluation system does not follow many of the act’s requirements.

33 In a pay-for-points system one calculates average male dollars per average point and then uses this same average for each female point.

34 His firm’s pay-equity adjustments constituted 2 percent of its payroll (which was the second largest payroll percentage for firms in our sample). He claimed that “[his firm] can’t afford to live with the additional cost. So, they had to let go of females.”

35 We have excluded from our base count the one firm that “ignored” the pay-equity mandates. In addition, one other firm had a “neutral” (neither positive nor negative) overall experience.

36 For example, about 25 percent of firms employing 50-99 employees felt that the pay-equity process had a positive impact on perceptions of fairness between male and female employees (Canadian Facts 1993 Vol. I, p. 45), whereas among firms employing 500-999 employees the corresponding number was 40 percent (SPR Associates 1991, p. 39).

37 Two of the three small businesses in our sample had a bad experience overall (one small business did not comply at all). This rate of displeasure (67 percent) is much higher than that of the medium- and large-sized firms (32 percent).

REFERENCES


Burkart, L. (1990), “Implementing Pay Equity in Ontario,” School of Industrial Relations Research Essay No. 28 (Kingston, ON: School of Industrial Relations, Queen’s University).


Green Paper on Pay Equity (1985), (Toronto: Minister Responsible for Women’s Issues).


(1992), Questions and Answers: Pay Equity in the Workplace (Toronto: Pay Equity Commission).


(1994a), Pay Equity Implementation Series (Revised) — Guidelines #1-#16 (Toronto: Pay Equity Commission).


### APPENDIX 1

**SUMMARY OF FIRMS SURVEYED**

<table>
<thead>
<tr>
<th>Type of Firm</th>
<th>No. of Employees (in Ontario)</th>
<th>No. of Unions</th>
<th>No. of Pay-Equity Plans</th>
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<td>Small manufacturing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
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<td>0</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>70</td>
<td>0</td>
<td>2 (1 for wholly-owned subsidiary)</td>
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<td></td>
</tr>
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</tr>
<tr>
<td>1100</td>
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<td>3</td>
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<tr>
<td>Consumer products</td>
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<tr>
<td>manufacturing</td>
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</tr>
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</tr>
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<td>600</td>
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<td>1500</td>
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<td>1235</td>
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</tr>
<tr>
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<td>1</td>
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<tr>
<td>Conglomerate</td>
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</tr>
<tr>
<td>4000</td>
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APPENDIX 2
SURVEY QUESTIONS*
PAY-EQUITY IMPLEMENTATION IN THE PRIVATE SECTOR

1. How many people do you employ in Ontario? What types of goods do you produce? How many unions do you have? How many pay-equity (PE) plans do you have?

2. Who in your organization has overall responsibility for PE? If any outside consultants were used, what were their roles?

3. Did you use a committee approach? If so, could you comment on the committee's membership, the openness, the clearness of the task, the procedures, etc.?

4. How were jobs put into job classes (there are 3 ways)?
   How many job classes were designated as female which did not meet the 60% minimum (because of “historical” or “perceived female” factors)?

5. Describe the system you used to evaluate jobs. Did you use the Hay method? Point factor? Ranking? Did you modify an existing system or institute a completely new system as a result of PE?
   Do the evaluations of female jobs truly reflect their “worth” to you the employer, or are they more the result of negotiations and compromise?
   What have been the major difficulties in the job evaluation process?
   — determining job classes?
   — using different evaluation systems for union and nonunion jobs?
   How did you gather the information about each job (existing job descriptions, new questionnaires, etc.)?
   What particular problems have you encountered with the evaluation of jobs? Cost? Time? Disagreements?
   Do you think that the PE Commission should enforce a standard gender-neutral job evaluation system for all employers, all jobs? Why or why not?

6. How many job-to-job comparisons were you able to make? What kinds of comparisons were made, i.e., who matched whom?

7. Have you used the “proportional-value” method? Problems? Has the proportional-value method eliminated the “no male comparator” problem?
   How many jobs had to go to proportional value?
   Should the PE Commission set clearer, more rigid rules for proportional value? For example, should it demand a certain R-squared and give firm guidelines for what is meant by a “representative” set of male job classes?

8. What was the reaction to PE from your employees — male and female? Do you think PE had any effects on turnover, morale, job satisfaction or productivity?

9. Have any complaints arisen from your workforce? If so, how were they resolved? Outcome?

10. What percentage of your female employees received some type of PE adjustment?

11. What was the average size of these PE adjustments? What was the range?

*Some of the questions that we used are similar to those used by Burkart (1990, pp. 71-75).
12. Did you make a full adjustment immediately or did you make the one per cent adjustment?
   Have you yet attained “equity” for your female job classes?

13. What percentage of your payroll did these PE adjustments constitute?

14. Do you think that these PE adjustments significantly affected your payroll, costs, or competitiveness? What was the overall impact of PE on costs and company bottom line? Minimal? Moderate? Substantial?
   What about the other costs you incurred, e.g., consultant fees, new human-resource hiring, time consumed by committee meetings, general administrative costs, etc.?

15. What was the effect of PE on your company’s compensation policies (wage structure, fringe benefits, merit pay, etc.) for both male and female employees?

   The act allows for union bargaining to create pay gaps all over again once “equity” is reached. Have you faced this problem yet?
   Section 7(1)(2) of the act says that PE, once obtained, must be maintained and nothing less than PE can be negotiated by the employer and bargaining agents, whereas Section 8(2) says PE may be lost due to bargaining strength. Do you see any potential problems or issues arising from these sections in the act?
   Did you combine the negotiation of PE with the collective bargaining process? Why or why not? Have any conflicts arisen between the two processes? In general, could/should they be combined?

17. Have there been any layoffs of female employees as a result of their pay being upgraded?
   Any evidence of males moving into “female” jobs?

18. Have you had to take advantage of the “exceptions” to not attaining PE allowed by the act — exceptions based on skill shortages, merit, seniority, temporary training positions, etc.?
   As you know, the existence of a labour shortage means that PE need not be met. Have you had to deal with a labour shortage for any particular job category yet, and, if so, how was it dealt with?
   If not, have you had discussions about how to deal with a labour shortage, and, if so, what procedure would you follow to set the wage?

19. Have you attempted to create “internal equity”?

20. Has PE been pursued for other groups in your workforce (Asians, Blacks, etc.)?

21. What negative results have come out of the PE process? What benefits resulted from the PE process (e.g., better communication, formal job evaluations)?

22. Generally, how do you feel the PE process went in your organization? Overall, how would you describe the PE process? Necessary? Waste of time and resources? Mixed?

23. Was the PE process supported by the male employees, President, CEO, etc.?

24. Was it necessary to enact this legislation? That is, would employers have done it anyway?

25. How are you ensuring that PE will be maintained?

26. What general comments, if any, would you like to make about PE?