

ATTENTION FEDERALLY REGULATED EMPLOYERS – CANADA'S PAY EQUITY ACT TAKES EFFECT AUGUST 31, 2021

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Categories: Insights, Publications

The federal government will bring the *Pay Equity Act* (Act) into force on <u>August 31, 2021</u>. The *Pay Equity Regulations* (Regulations) under the Act will take effect on the same date.

The Act will require federally regulated employers to take steps to help ensure that male and female employees are compensated equitably. Most notably, employers with ten or more employees will have to will have three years to develop and implement proactive Pay Equity Plans (Plans), using the precise formulas detailed in the Regulations. Employers with 100 or more employees, as well as all unionized employers, will also be required to establish a pay equity committee, the main purpose of which will be to engage with management in developing the employer's Plan.

To follow up on their Plan, employers will be required to eliminate the inequitable compensation differences identified in their Plan within three to five years, depending on the employer's size. An employer's Plan will also have to be updated at least every five years.

The Regulations detail the process to be followed in establishing a Plan, including the mathematical comparison of "predominantly male" and "predominantly female" job classes required to identify any compensation inequities. In developing their Plan, federally regulated employers will be required to identify job classes and compare gender discrepancies with them. Simply confirming "the same pay for the same job" will not suffice. Broadly speaking, this means that the Pay Equity Commissioner may find a lack of equity between male and female employees even if employees performing the same role receive the same compensation.

In another key note, the government confirmed that the Act will not automatically apply to Indigenous governing bodies as employers. They will not be subject to the application of the Act until an as-yet undetermined date. Further consultations are planned in the coming year with Indigenous partners.

For additional detail on the Act's requirements, please see our bulletin titled <u>Closing the Gap: New Proactive</u>

<u>Pay Equity Rules for Federally Regulated Employers</u>. We encourage employers to begin preparing to meet the Act's requirements now. Employers required to establish a pay equity committee (especially if unionized), in particular, will need to balance a variety of interests in carrying out the work needed to complete their Plans.



Doing so will take time.

We will continue to keep federally regulated employers up to date on developments relating to pay equity laws, including any further guidance released by the Commissioner on how to develop one's Pay Equity Plan.

By Kyle Lambert

A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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