



Case Study

Pay Equity Plan Tool

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Introduction

This case study is based on a small-sized, fictitious organization named ABC Airlines.

The case follows the steps and work that ABC Airlines undertakes in order to create their first pay equity plan in compliance with the Pay Equity Act. In addition to covering the steps and principles of creating a Pay Equity Plan, the case provides examples of what those steps look like within the Pay Equity Plan Tool.

About ABC Airlines Ltd:

ABC Airlines Ltd. (ABC) is a privately owned, economical Canadian airline that started operating in October 2012. It is based in Ottawa, where its head office is located, and has employees working out of the Vancouver, Toronto, and Halifax. As an interprovincial airline, ABC is federally regulated.

In total, there are 50 full-time and part-time employees in Canada in a variety of positions, such as pilots, flight attendants, maintenance engineers, ramp attendants, administrative assistants, flight instructors and customer service agents. For the purposes of testing the tool, you will be provided with data about 10 of the positions at ABC.

ABC's pilots, flight attendants and maintenance workers are unionized while the remaining employees are not represented by a union.

ABC has not previously undertaken a pay equity analysis of its workplaces and is ready to begin the development of its pay equity plan to become compliant with the Act.

Setting up the Pay Equity Committee

The Act requires that any employer with more than 100 employees, or if unionized any employer with more than 10 employees, establishes a pay equity committee. ABC meets the second criteria.

After taking these steps, ABC established the following Pay Equity Committee (the Committee) comprised of nine people:

1. Sarah Brown (Marketing Manager, Head Office, Ottawa) (F), Employer Representative
2. Rita Hasan (Marketing Specialist Ottawa) (F), Employer Representative
3. John Gee (Client Services Manager, Toronto) (M), Employer Representative
4. Joseph Lillico (Pilot, based out of Halifax Airport) (M), Unifor Representative
5. Cara Lui (Customer Services Agent, Vancouver Airport) (F), non-union employee representative.
6. Anton Antonio (Maintenance Engineer, Toronto Airport) (M), Teamsters Representative
7. Hema Smith (Flight Attendant, based out of Toronto) (F), CUPE Representative

8. James Parsnip (Flight Attendant, based out of Edmonton) (M), CUPE Representative

Step 1-1: Collect and Organize Position Data

The committee is ready to start creating the Pay Equity Plan for ABC. On March 20, 2022, they gather data related to employees and positions that the company has at that date (their initial snapshot date). The committee knows that they will need to refresh this data before they post the draft pay equity plan for employee input.

They gathered the following information:

- A list of all of current positions including vacant positions.
- A list of all employees who currently hold a position and an ID indicator for those employees.
- The gender of each employee
- How employees are paid (hourly, salary, commission etc.)
- Each employee's current base pay amount expressed hourly.
- Prior annual earnings
- Salary ranges where they exist.
- The types of compensation or benefits, in addition to base pay, that are available to each position.

Step 1-2: Identifying Job Classes

The Act requires that the Committee identify the job classes (categories or groups of positions that are created using set criteria). A job class may include several positions or a single position, and positions that are currently occupied or that may be vacant.

1. First, the Committee requested information from ABC Airlines about job description documents, including qualifications required for all their positions, as well as information relating to how positions were compensated.
2. Then, the committee met and reviewed job descriptions and identified positions that they would put into the same job class based on similar duties and responsibilities, as well as similar qualifications.
3. Next, they reviewed how positions are paid and the salary ranges to ensure they met the compensation criteria for job classes.
4. Lastly, the committee reviewed compensation elements, in addition to base pay, that are offered to each position. While ABC has collective agreements with Unifor, CUPE and Teamsters which outline compensation eligibility and compensation practices for each their represented groups, they do not have formal compensation plan documents for the non-unionized members. The committee used a Compensation checklist to verify compensation practices at ABC.
5. Based on this thorough review, the committee selected the positions that could be grouped into the same job class and assigned names for each job class. These job classes are:

Step 2: Determining Gender Predominance of Job Classes

The committee now needs to determine whether the job classes are male dominated, female dominated, or gender neutral. They do this by considering the three following factors:

- Whether one gender currently holds 60% of the positions or more in the job class,
 - Whether one gender historically held 60% of the positions or more in the job class,
 - Gender-based occupational stereotyping.
1. Within the tool, the current gender predominance was determined using the current employee data provided in Step 1.
 2. Next, the committee looked at the history of gender incumbency by position at ABC. After reviewing each job class and the positions within those job classes, the committee recorded what the gender predominance has historically been. In some cases, there was no historical information because a position had only recently been created.
 3. Next, the committee met to review gender based occupational stereotypes. Using information from Statistics Canada and the Air Transportation Association of Canada, as well as discussing gender stereotypes based on their own experiences of what is deemed “women’s” work and what is “men’s” work, the committee agreed on the occupational gender stereotype for all job classes. In some cases, the gender predominance was neutral.
 4. Finally, after reviewing current, historical, and gender-based occupational stereotype outcomes, the committee made their final decision on the gender predominance of each job class. They made good notes on their rationales.

Step 3: Determining the Value of Work

The Act requires that ABC Airlines determine the value of the work performed by each predominantly female and predominantly male job class using a gender-neutral system. The value of work is determined for the full range of positions in a job class (or one position if the job class only includes one).

The Act states that the criterion to be applied in determining the value of the work performed is the composite of:

- the skill required to perform the work,
- the effort required to perform the work,
- the responsibility required in the performance of the work, and
- the conditions under which the work is performed.

Since ABC does not currently have a Job Evaluation process the committee decides that they will use the job evaluation method within the Pay Equity Plan tool. They must use this evaluation method for all job classes.

1. The committee reviews the four legislated factors Skill, Effort, Responsibility and Working Conditions and selects a weighting for each factor reflecting the work context at ABC.
2. The committee reviews the sub-factors and their definitions and selects a weighting for each reflecting the work context of ABC.
3. The committee reviews the job descriptions within each job class they collected in Step 1 and agree on the appropriate level exhibited in the job descriptions for each of the sub-factors. For the purposes of this case study the level ratings for each of the positions is provided in your data file.
4. The committee now reviews the job evaluation results to confirm their assessments.

Step 4: Calculate Total Compensation

The committee meets to calculate the Total Compensation for each predominantly male and female job class. They do not need to do this for the neutral job classes.

The Act allows for the exclusion of certain forms of compensation when it is equally available at the same level across all job classes*1 If any job class does not have access to it while others do, then the values for that compensation element cannot be excluded from their calculations.

1. The committee reviews all the compensation information they collected for each position in step 1-2. It determines that they can exclude the following compensation elements since they are equally available, at the same level, to all job classes.
 - a. Holiday Pay
 - b. Bereavement Leave
 - c. Paid Parking
2. The committee can see the maximum base hourly rate for each job class in the tool. This maximum rate represents the maximum rate attainable for an employee holding that position. Attaining this level may be because of seniority, knowledge, or performance, as examples.
3. Now the committee records the value of other compensation elements provided for each job class, expressed as an hourly rate. These values need to reflect how much an employee can realistically earn or receive in each job class.
4. Next the committee reviewed whether any compensation amounts could be excluded or added to the calculation*2 for each job class.
5. The committee has input these compensation values into the tool and it calculates the Hourly Total Compensation Value for each Job Class.

*1 S. (45) Pay Equity Act

*2 S. (46) Pay Equity Act

Step 5-1: Compare Compensation of Male and Female predominant job classes.

It is April 2023; the committee has been working on the pay equity plan for 13 months now. Before starting this step, the committee asks for updated position data to ensure that there have not been changes because of new positions that have been added or eliminated from the organization, changes in compensation, changes in gender incumbency as examples, since they started their Pay Equity Plan work.

The Committee unanimously decides that they will use the Equal Average Method to compare compensation.

1. The committee meets to establish bands. A band is a range of values of work that the committee considers comparable. They decide to use Equal Distance and set their increments at 60 points apart.
2. Now that they have established the criteria for their bands the tool has placed all of the male and female predominant job classes into a band. The committee reviews these to ensure they make sense and do not indicate any potential errors in Job Evaluation.

Step 5-2 Reviewing Results

1. The committee can view the current Average Hourly Compensation Value for all female and all male job classes in each band. If a band does not have, any job classes that fall within it, this shows in the summary chart without any compensation attached to it.
2. The tool has calculated whether the male Average Hourly Compensation is greater than the female Average in each band, and if so indicates that an adjustment may be needed.

Under the equal average method, two conditions must be met for a predominantly female job class to be eligible for an increase in compensation:

- a. If the female total compensation average of a job class is below the male total compensation average.
- b. If the total compensation of the predominantly female job class falls below the male average within the band.
3. The committee reviews the Female Job Classes Summary table to see which female job classes require an increase in compensation; the amount per hour; the amount as a percentage of the current Total Hourly Compensation Value, and what the adjusted Hourly Compensation Value will be.

ABC is required to increase the compensation of the females who occupy positions in the job classes that were determined to be owed a pay equity adjustment.

Step 5-3: Reviewing Cost Impact Summary

The committee can see a summary of the overall costs to ABC Airlines of any required compensation increases in dollars, as well as a percentage of current hourly rates. They are also able to see, in a graph illustration, what the compensation gaps are like before the required increase is applied and what they will be like once they implement the required increases.

Step 6: Creating their Draft Pay Equity Plan

The committee meets to create and review the Pay Equity Plan Summary that can be created with the tool. After reviewing the report, they send it, to the CEO who must determine how any identified gaps in compensation will be closed.

The CEO documents how gaps for each job class will be closed, signs the report, and returns it to the Committee to post in each workplace for employees' input.

After completing all the steps required to develop the pay equity plan, the Company is required to post the draft plan, as well as a notice informing employees of their right to provide comments on it. Employees have 60 days to provide comments.

After the period for comments has ended, the committee meets to review all the comments and addresses them in the final plan that is then posted in the workplace. This must be completed by the third anniversary of the date, which ABC became subject to the act (September 1, 2024).