

Background on Pay Equity: Valuing Work

A presentation prepared for discussion in Committee of the New Brunswick Provincial Assembly, by Paul Durber, Senior Consultant, Opus Mundi Canada

Key Questions

- Why use a value approach to equity?
- Can we rely on job evaluation as a tool?

Preliminary remarks

- Because I have practised job evaluation since about 1970, I hope to help you reflect on the strengths and weaknesses of job evaluation as a tool for bringing equity.
- My work with employers, unions and employees may help you put job evaluation into the perspective of the three parties.
- You will see during my remarks today that taking a value approach is not simple -- but then neither is deciding employee pay!

Sources for Today 's Remarks

- My remarks come primarily from experience, in pay equity, in designing evaluation systems and applying them -- not in academic research.
- A reference paper that may be useful is a paper which I did for the federal pay equity task force:
 - *Valuing Work and Pay Equity: Issues, Practices and Future Directions* , produced in December 2002
 - Traduit en français sous le titre -- *Évaluation d'emploi et équité salariale : problèmes, pratiques et orientations futures*

Questions posed in these remarks: I

- Taking the proposed Bill as our reference: *Why should we take a value approach to achieving greater equity in wages for women? We shall look briefly at:*
 - the alternatives tried, why they have failed, and what factors account for the successes & failures, e.g., the occupational context;
 - the advantages of job evaluation & constraints it involves, in light of experiences with this approach;
 - possible practical limits of job evaluation (e.g., very small employers);
 - the usefulness of an analytical approach like valuing;
 - how reliable in the end result is job evaluation.

Questions posed in these remarks: II

- What practical considerations are useful in deciding whether a value approach to equity *can* be implemented? Among these are:
 - How **willing** the parties are likely to be to the *requirement* that they use a value approach;
 - How **familiar** parties are with the concepts and practices of job evaluation;
 - What the **costs** may be in designing and implementing job evaluation (aside from the cost of closing any wage gaps);
 - What **conflicts** may arise in using this approach.

What do we mean by a « value approach »? (1) The Bill

- In the Proposed Pay Equity Bill, we see at 17(b) the following provision:
 - a description [of] the method and tools selected to determine the value of job classes and the development of a value determination procedure.
- In the definitions, we note:
 - “pay equity” means equal pay for work of equal or comparable value. This concept underlies the recognition of the value of the traditional work of women; persons holding different jobs can be paid the same remuneration when the value of their work, as determined based on *responsibilities, skill, working conditions and efforts* [italics added], is equivalent («*équité salariale*»).

What do we mean by a « value approach »? (2) what is involved

- We can also look at what a value approach actually does in practice, which is to:
 - use the **features** of women's and men's work as the reference point in gender analysis;
 - have **committees** comprised equally of men and women to establish the relative value of jobs;
 - survey and **document** work in a predictable and tested way, e.g., by questionnaires or job descriptions;
 - **compare the value results** obtained for women's and men's work to establish what is equal.

How authorities view the value approach

- Most experience with valuing work in an equity context is found in Ontario and Québec, with most legal guidance from there, with some at the federal level. A few key concepts from that experience are:
 - the need to make work **visible**, i.e., to take the time to know what is required of people in their jobs;
 - the need to ensure that, in valuing, we give **equal recognition** to what women and men do at work;
 - how the value approach fits with constitutional policy **for equality**.

Question One: *Why* take a value approach? Failures & successes: I

- Experience with *equal pay for equal work* (pre-value approach) shows that:
 - parties are disappointed with a promise of equality that cannot be kept because of limitations;
 - equal work is extremely restrictive, i.e., comparisons between jobs are limited to the same or nearly identical work;
 - because men and women perform **different work** (more on this later), sex-based differences in wages are not examined;
 - actual changes in wage outcomes under this approach (1950s & later) are few.

Question One: *Why* take a value approach? Failures & successes: II

- Alternatives *tried* have similar limitations, e.g.,
 - comparing wages on the basis of **job title only** misses what people actually do, e.g., a secretary may do PR work, conduct research, develop office systems -- or not!
 - so **no questions** are raised about worth of work to the organization, nor answers produced on which adjustments can be made if needbe;
 - job title comparisons **capture the market**, with no information about whether the jobs merit more or less in comparison with others *inside* the organization.

Question One: *Why* take a value approach? Failures & successes: III

- Alternatives *proposed* are not proven, for example:
 - The **pay audit** which looks at similar jobs and how they are paid can raise useful questions, but not give enough evidence for making wage decisions.
 - Developing **limited evaluation plans** by job family or occupation will likely suffer from the same limitations as equal pay for equal work -- not enabling comparisons between work of men and women.
 - **Adapting patterns** from similar organizations usually does not work because of dissimilarities. But this approach does hold some promise (see later remarks).

Occupational concentration by sex: a key factor

- A main reason for comparisons across occupations is concentration of each sex in job categories and groups. (This is nationally.)
- For example, women account for about 70% of all employees in seven categories (see next slide).
- Similarly men are found in five major employment categories (slide 14).
- The same is found in specific groups, and that pattern is replicated in most work places.

Female-dominant categories

| <i>Occupational Category</i> | <i>Composition: % Female</i> |
|--|---|
| ▪ Finance and insurance administrative occupations | 77 |
| ▪ Clerical occupations | 71 |
| ▪ Health occupations | 79 |
| ▪ Secondary and elementary school teachers | 69 |
| ▪ Technical occupations in libraries, archives | 79 |
| ▪ Occupations in food and beverage service | 77 |
| ▪ Child care and home support workers | 94 |

Source: Statistics Canada, 1996 Census of Canada

Male-dominant categories

| <i>Occupational Category</i> | <i>Composition: % Male</i> |
|--|---------------------------------------|
| ▪ Occupations unique to processing, manufacturing... | 70 |
| ▪ Occupations unique to primary industry | 78 |
| ▪ Trades, transport and equipment operators... | 94 |
| ▪ Natural and applied sciences | 82 |
| ▪ Management occupations | 68 |

Source: Statistics Canada, 1996 Census of Canada

Advantages of job evaluation: I

- The tools for valuing work have been evolving since the 1950s: there are models that can be adapted to particular work places.
- Job evaluation has been used by most large employers and many middle-sized employers as part of their compensation policy.
- Unions are increasingly more familiar with job evaluation because of pay equity, especially in Ontario & Québec, also in the federal jurisdiction.
- Courts have also recognized the appropriateness of the approach.

Advantages of job evaluation: II

- When jobs are examined closely, as through job evaluation, everyone is more aware of work requirements. Both managers & employees benefit.
- The **values** of the organization can be reflected more specifically in how employees are paid. For example, a cable company found that they did not reward communications skills, yet marketing and client service was key to their business.

Estimating use of job evaluation

The following chart illustrates the use of job evaluation in a small segment of Ontario's work force.

| Formal Job Evaluation Plans | | | Union Consulted | | Totals | |
|-----------------------------|-----------------|----------------|-----------------|----------------|-----------------------------|----------------------------|
| Sector | Agreements % | Employees % | Agreements % | Employees % | Agreements % (number) | Employees % (number) |
| Public | 3.1 | 11.6 | 27.0 | 38.8 | 100 (1,506) | 100 (196,329) |
| Private | 17.3 | 22.4 | 28.0 | 28.5 | 100 (598) | 100 (458,472) |

Most large and medium-sized organizations in the federal jurisdiction use job evaluation.

Source: Kauffman, Lorna. *Job Evaluation Systems: Concepts and Issues*. Kingston: Queen's University, Industrial Relations Centre, 1986. Quoted from the Ontario *Green Paper on Pay Equity*. (Toronto: Attorney General and Minister Responsible for Women's Issues, Government of Ontario, 1985), p. 111.

Constraints on using job evaluation: I

- Application of techniques requires **commitment** by work place parties, to:
 - ensuring that analysis in evaluation focuses on the real requirements of work. E.g. of inappropriate analysis: A job evaluation plan emphasized managerial and financial requirements in professional work (nursing) where it was not important, but missed client service;
 - provide resources to design the analytical framework for valuing work, to collect information about it, and to establish comparative value of jobs;
 - resolve conflicts about the nature and value of work.

Constraints on using job evaluation: II

- Valuing work also requires a number of conditions to be successful:
 - understanding of work being performed;
 - training in analysing and valuing work;
 - a desire to be fair, especially to be open-minded about work requirements and to set a reasonable relative value for jobs;
 - an analytical approach to work, i.e., looking at its components (skill, etc.), rather than setting value on the basis of job title, which is subject to **stereotyping**.

Limitations of job evaluation: I

- Taking a value approach to work **can be time-consuming**. *Note*, however, that there now exist many models (some commercial) for guidance, e.g., the Canadian Human Rights Commission's publication *Guide to Pay Equity and Job Evaluation (Guide à la parité salariale et l'évaluation d'emploi)*
- The approach can also be **resource-intensive**, usually requiring internal expertise and involvement of managers and employees.
- Small employers may need to use some outside expertise, but this can be limited (see next slide).

Limitations of job evaluation: II

The small employer

- Resource demands on small employers can be limited in the following ways:
 - Pay equity commissions may offer training (as in Québec). One model enabled small organizations (under 50 employees) to design and implement a value approach with a team working less than a week.
 - Associations can develop job evaluation plans, with generic work descriptions, that need minimal adaptation to the work place. (Labour Canada initiatives covered eight sectors.)
 - Legislation can enable sector-wide approaches to deciding wages (*Québec Pay Equity Act*).

The small employer (continued)

- Because job evaluation is comparative, there is no absolute measure of the value of work. As a result there is likely a practical limitation of at least *two* jobs to make a comparison.
- In practice also, where the two jobs have quite distinct value (i.e., more than about 15% apart), the comparison may be difficult to translate into salary terms.
- With these two caveats, however, in my experience it is possible to value work in very small organizations without setting an arbitrary minimum exempting them (e.g., 10 employees in Ontario).

Does job evaluation produce reliable results?

- A criticism of job evaluation is that it is **subjective**, which implies that resulting values may not be reliable. What does this mean in practice?
 - All pay determination practices are subjective, and likely moreso than job evaluation. E.g., *job pricing & matching*, which consists of comparing job titles (perhaps with some duties and qualifications) with one another or with the outside market.
 - In comparison, job evaluation considers many facets of jobs -- usually between 8 and 20.
 - Some job evaluation practices are 50 or more years old, and may not reflect the current workplace.
 - Many have been updated, however; many others are new or tailor-made to the work place. (Continued)

Does job evaluation produce reliable results? (*continued*)

- Are there tests for quality & reliability of job evaluation?
 - There is a growing body of tests, most practical and accessible. (Some require basic statistical analysis, but can be done manually by the small employer.)
 - An example is testing for **gender bias**, which means ensuring characteristics of work done by both sexes are valued -- we catalogue the characteristics & make sure they are valued.
 - Another example is having a **fair process**, e.g., a committee is likely more knowledgeable, and should produce more balanced judgements about facets of work to be valued and what to recognize in the demands of work itself.

(Continued...)

Does job evaluation produce reliable results? III

- Are there any standards that can enhance the quality and reliability of job evaluation, and hence the certainty of parties about results?
 - There is a growing body of arbitration, from which credible standards can be derived. E.g., from the Ontario Pay Equity Hearings Tribunal, from the Canadian Human Rights Tribunal.
 - Rulings cover many issues, including gender bias, quality of documentation of work, reliability of evaluation processes.

Question two: Practical considerations re the value approach: I

- How **willing** are parties to taking a value approach?
 - Where it is **voluntary** (e.g., under complaint-driven legislation), willingness can be minimal. Competitors may not adopt the approach. Rules may be unclear. The means for resolving conflict may be problematic.
 - Where an employer finds that their business values can be put into practice through job evaluation, values can be integrated with how people are managed and paid. Pay-offs can also include demonstrable fairness.
 - For employees & union members, equity, recognition of work, involvement in pay decisions can be pay-offs.

Question two: Practical considerations re the value approach: II

- How **familiar** are parties likely to be with job evaluation?
 - In unionized sectors of the work force, chances are high that union professionals know job evaluation practices and rules, and can help locals.
 - Medium and large employers generally are familiar with job evaluation, though they may apply it mainly to non-union staff.
 - Small employers are likely *not* to be familiar, and require most support, from associations or government or consultants.

Question two: Practical considerations re the value approach: III

- What are the **costs** likely to be in designing and implementing a value approach in an organization?
 - Costs depend on how consistent the organization's current pay practices. For example, with a single job evaluation plan in the work place, cost may be quite low: need to review the plan for compliance with legislation and good pay equity practice.
 - If the organization has a large number of jobs or job families (e.g., over 100 families), each with differing practices, it is likely to take a year or more of study to decide on consistent value practices. (Continued...)

Practical considerations: costs (continued)

- Other considerations include:
 - availability of internal expertise, or outside models, low-cost help (e.g., from an association), and of guidance from pay equity authorities;
 - how decentralized the organization is, or how patterned the work;
 - how knowledgeable managers are about the work, how literate the work force;
 - how cooperative is the relationship between managers and employees and unions.
- Costs need not be high...see example following.

Examples of costs in small organizations

- In my practice, I have worked with several small organizations, for example:
 - One was a clothing retailer, with a number of outlets in Québec, and a dozen different jobs. Altogether, it took the two owners approximately four working days with me to review a new job evaluation system and value the work, and one owner an additional three days to describe the work. Start to finish: four months. Consultant days: six altogether. *Note: This was a non-unionized shop.*
 - Another was a small government agency, with about the same number of jobs. They had already described their jobs; a union-management committee spent two days reviewing the system & five days on evaluation. Because there were several grievances, hearings took another four days. Consultant time: 16 days. Start to finish: one year. *Note: time to negotiate a new pay régime was extra. A factor in elapsed time was the legal régime; the study was voluntary.*

Question two: Practical considerations re the value approach: IV

- What **conflicts** can be expected in implementing a value approach? Examples include:
 - Disagreement over the **framework** for valuing work, e.g., what skills should be recognized (interpersonal skills are often overlooked); what efforts (emotional effort can be an issue); what responsibilities, what conditions of work (e.g., stress). Or what **weight** should be given to each facet examined (if ten facets, are all worth 10% each?)
 - What the **work** really consists of.
 - What it is really **worth**, especially in comparison with other jobs.
- Additionally, conflict may occur over the choice of consultant, participation of employees in the process, etc.

Encouraging conflict resolution

- Factors that make resolution more likely include:
 - having clear rules for pay equity that apply to everyone: certainty about rules reduces scope for disagreement (usually!);
 - encouraging commitment of parties to a successful & timely outcome gives energy to see an evaluation study through;
 - providing mediation or consultation services should reduce impasses (Ontario experience demonstrates);
 - providing training, policy guidance and case references (e.g., from a pay equity agency) is positive.

Concluding comments

- Parties can derive benefits from valuing work in a pay equity context, e.g.,
 - translating organizational values into how employees are actually paid; auditing pay relativities; improving coherency of pay practices;
 - enhancing the credibility of these practices in employees' eyes (e.g., through demonstrable fairness);
 - deepening the employer-employee/union relationship.
- Constraints and costs can be limited, by for example,
 - using available models, making expertise available through training, encouraging best practices & conflict resolution.³³