



Coalition pour l'équité salariale
Coalition for Pay Equity

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Pay equity legislation: So that women can participate in self- sufficiency and... benefit from it!

**Brief presented to the Self-Sufficiency Task Force
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The Coalition for Pay Equity of New Brunswick is a group of individuals and organizations asking the provincial government to adopt pay equity legislation for the public and private sectors.

We congratulate the Self-Sufficiency Task Force for seeing better pay as an essential element on the route toward self-sufficiency.

As you said in your first Reality Report, "**Wages and salaries count**; without income parity, other elements of the standard of living such as lifestyle or shorter commuting times do not get the opportunity to be evaluated. To attract workers or to retain existing workers, employers are going to have to pay the same wages and salaries for a particular trade or profession in competing jurisdictions." (p. 8).

The Coalition for Pay Equity wants to draw your attention to the importance of attracting or retaining **female workers** to New Brunswick and of ensuring pay equity as one of the means to attain this goal.

Contribution of women to the economy

We cannot ignore the contribution of women to the New Brunswick economy. **In 2005, 59% of women in N.B. aged 15 years and**

older were on the labour market, compared to 68% of men the same age.

In 2006, the magazine *The Economist* stated that **the increase in women's employment in rich countries was the main driver of economic growth** in recent decades. The impact of women's participation in the labour market exceeds even that of new technologies. Appropriate wage and family policies are needed to facilitate the full participation of women in the labour market.

It is estimated that **about 70% of New Brunswick women hold traditionally female or female-dominated jobs**. Many are in areas essential to personal well-being, such as education and health care. The Task Force emphasized that access to good educational and health care institutions is among the most important factors in retaining residents of New Brunswick. Personnel are the deciding factor in the quality of education and health care, and many members of this personnel are women. On the labour market, large numbers of women care for small children or the elderly. Office services and retail sales are other traditionally female work areas.

Unfortunately, **many traditionally female or female-dominated jobs are underpaid compared to jobs having the same value but traditionally male or male-dominated**. We could conclude from this that women just need to be redirected to better-paying jobs. We certainly support employment equity measures that encourage access to non-traditional jobs for women and minorities. However, traditionally female or female-dominated jobs are essential and the needs they fill will not be eliminated when women go into other fields. They have to be paid at their true value if there is going to be any succession.

Pay equity legislation is an essential element of full participation by women in the labour market. Pay equity is equal pay for work of comparable value. Pay equity legislation requires employers to evaluate positions to compare the value of traditionally female or female-dominated jobs with those of traditionally male or male-dominated jobs, then adjust pay for female jobs if they are underpaid compared to male jobs. Job evaluations take into account four factors: **skills, responsibilities, effort, working conditions**.

The advantages of pay equity

According to a report by the World Economic Forum, **the more equality there is in a country, the more competitive its economy is**¹. The current hourly pay gap between men and women in New Brunswick is 12%. After a 2004 study, economist Ather Akbari concluded that about 80% of the pay gap in New Brunswick was “unexplainable”. Economists generally agree that this share is attributable to discrimination. Pay inequity is a form of discrimination that contributes to the pay gap.

Pay inequity has obvious costs for women and for men in traditionally female or female-dominated jobs. **It has a direct impact on poverty, health and violence against women, as well as on the health and impoverishment of children.** Pay equity legislation helps to reduce these costs by increasing the pay of some working women who now live below the poverty line.

Pay inequity also has major social costs: taxes not collected, higher health care costs, less participation by women in the labour market, more staff turnover, less attachment of women to the labour market. It must be admitted that **part-time work and early retirement become more attractive when pay does not compensate** skills, responsibilities, working conditions and efforts.

The Task Force expresses its concern with the exodus of New Brunswickers. Obviously, **women’s jobs and pay are part of the calculation when a family decides to move to New Brunswick or to leave the province.** However, when pay inequity means that traditionally female or female-dominated jobs are under-evaluated and underpaid, the pay of the persons concerned has less weight in the decision.

Pay equity legislation would ensure competitive pay for traditionally female or female-dominated jobs. **Québec and Ontario already have such legislation covering the public and private sectors, and this helps to improve conditions for families who move there.**

By improving female workers’ pay conditions, **pay equity legislation would help employers retain their staff and recruit new**

¹ Global Gender Gap Report. 2006.

employees much more easily, and would encourage young women to develop their career in the province.

Ather Akbari estimated in his 2004 study that eliminating pay discrimination against women would mean an **increase of \$226 million in provincial income tax and sales taxes**² from women's higher pay. The **savings in the health care sector** from eliminating pay discrimination could reach \$60 million³ (see the attached summary of Mr. Akbari's research). Indeed, revenue is a major determining factor of health.

Moreover, **pay equity would increase the buying power of** persons in traditionally female or female-dominated jobs, creating economic spin-offs that could not be ignored.

It has also been shown that **after going through a pay equity exercise employers note advantages such as clearer job descriptions, a more modern compensation system and better labour relations.**

Proactive pay equity legislation is a powerful lever

The International Labour Organization recently studied three pay equity mechanisms in six different countries⁴. In all cases, employers resisted the changes and a certain number did not comply. However, **the model that got the best results is a proactive one, that is, legislation that asks employers to follow precise guidelines to ensure pay equity.** Jurisdictions that adopted complaint-based mechanisms got limited employer participation. Finally, models based on voluntary measures to reduce discrimination got very poor results.

Ontario and Québec are leaders in pay equity because they are the only Canadian provinces with legislation covering both the public and private sectors.

Last November, the Québec Ministre du Travail tabled a report on the effects of the *Pay Equity Act*, adopted in 1996. The report was entitled:

² Ather H. Akbari. 2004. Gender Wage-Gap in New Brunswick. Study prepared for GPI Atlantic, Halifax, N.S.

³ Ibid.

⁴ Mary Cornish. 2007. Closing the Global Gender Pay Gap: Securing Justice For Women's Work. (Will be published in the April, 2007 issue of the *Journal of Comparative Labor Law and Policy*.)

"*La Loi sur l'équité salariale du Québec: un acquis à maintenir.*"⁵ According to the report, in five years of application of the Act half of all Québec businesses have finished their pay equity exercise. **The Québec report showed that the Act had positive effects and proposed continuing government efforts to support businesses and workers where the Act has not yet been applied.**

Still according to the report, **average pay adjustments are 6.5%** and administrative costs and pay adjustments represent reasonable costs for businesses. In 70% of cases, the increased payroll burden on private businesses was less than 1.5%.

Small businesses often feel that they have neither the means nor the need for more structured human resource management, but after carrying out a pay equity exercise many of them said that they were surprised at how useful the process was, mentioning advantages such as a better knowledge of their jobs and required skills, putting order into the logic behind their pay schedules, improving the working climate and creating feelings of justice and workplace satisfaction.

Voluntary measures are inadequate

At first glance, promoting voluntary measures for pay equity instead of legislation can be tempting, seem to be more respectful of individual freedom and appear educationally more acceptable. However, as mentioned above, **voluntary measures are not an effective tool to eliminate discrimination.** For that matter, nothing is preventing employers from putting an end to pay inequity now, but discrimination persists.

However, **85% of Québec businesses having begun or completed their pay equity process stated in October 2003 that they did so because the Pay Equity Act required them to** (*Commission de l'équité salariale du Québec, Léger Marketing survey, October 2003*). In other words, despite awareness campaigns by the *Commission de l'équité salariale du Québec*, these businesses would not have established pay equity programs without pay equity legislation. The case of the minimum wage is also an excellent example of the need for the

⁵ Ministère du travail du Québec. 2006. *La Loi sur l'équité salariale du Québec: un acquis à maintenir*. Highlights: <http://www.ces.gouv.qc.ca/publications/rapp-2006-fs.pdf>; Report: <http://www.ces.gouv.qc.ca/publications/rapp-2006.pdf>.

government to intervene in the economy and to legislate to make employers respect minimum standards of compensation.

Voluntary measures are always accompanied by a lack of uniformity in the application of the principle of “equal pay for work of comparable value”. This is particularly unfair to employers who want to show good faith on the question of pay equity because their competitors are not also obliged to pay the costs of implementing pay equity programs. Also, employers who are complying with voluntary measures risk being penalized when pay equity legislation is implemented because the legislation may contain new requirements forcing employers to review or repeat their pay equity process.

Recommendation

The Coalition for Pay Equity of New Brunswick recommends the adoption, as soon as possible, of proactive provincial legislation to ensure pay equity in the public and private sectors.

A legislative solution has the advantage of providing a framework in which pay equity is implemented according to a clear timetable and based on precise objectives. It allows for a uniform process among all employers and gets better results.

Pay equity legislation should meet the following minimum criteria:

- **Proactive legislation**, that is, legislation ensuring that employers will achieve pay equity in their businesses and to show that they are complying with the legislation. Legislation is considered proactive instead of reactive when its implementation does not require employees to file complaints.
- **Inclusive legislation**, that is, legislation with which all employers must comply, thus allowing all full-time and part-time employees in the public et private sectors to exercise their right to equal pay for work of comparable value.
- **Legislation that calls for maintaining pay equity**, that is, legislation that clearly makes employers responsible for ensuring the long-term maintenance of pay equity.
- **Legislation that ensures employee participation** in the pay equity process by calling on the employer to create a joint pay equity committee with representation from employees, accredited associations and the employer. The pay equity committee is responsible to implement and maintain the pay equity program.

- **Legislation implemented by an independent organization**, that is, legislation whose application and implementation are facilitated and monitored by a specially created Pay Equity Commission. This Commission has the financial and human resources and sufficient powers to carry out its mandate.

EXECUTIVE SUMMARY

THE GENDER WAGE GAP IN NEW BRUNSWICK

Prepared for GPI Atlantic by

Ather H. Akbari, Department of Economics, Saint Mary's University, Halifax, NS

Introduction

1. The purpose of this study is to indicate some public treasury effects of removing wage discrimination against women in the province of New Brunswick. For this purpose, a quantitative estimate of the gender wage gap resulting from discrimination is obtained. This quantitative estimate is then used to estimate the potential effect on the provincial public treasury that would likely occur if a program aimed at removing wage discrimination in the province were introduced. The particular components of the public treasury that are considered include: government tax revenue, health care costs, and government transfers paid to individuals and families. The effect on these public treasury components is then compared with the additional employer payroll cost resulting from higher wages for women under an anti-discriminatory program.
2. The major part of analysis conducted in this study is based on micro-data obtained from the Survey of Labour and Income Dynamics (SLID). This survey is conducted annually by Statistics Canada.

Literature Review

3. The male–female earnings gap is an international phenomenon. Much of this gap is not explainable by differences in productivity-related characteristics and may therefore be attributed to gender-based labour market discrimination.
4. Among nine advanced industrialized countries in North America and Europe, Canada ranks ninth in terms of its gender earnings gap. In other words, Canada has a wider gender wage gap than other comparable countries. This is despite the fact that occupational segregation based on gender is not as prevalent in Canada as it is elsewhere.
5. Although Canadian women have experienced an increase in their wages over the past few decades, which has narrowed their wage gap with men, significant gender differences still exist that are unexplainable by differences in such

productivity-related characteristics as work experience, education, etc. This unexplained portion of the gender wage gap is often attributed to gender discrimination by the economics literature.

Evidence of gender wage gap in New Brunswick

6. Overall, the wage rate paid to an average female worker in New Brunswick is about 21 percent lower than that paid to a male worker.

7. When controls are introduced for such demographic, labour market, and productivity-related characteristics as education, work experience, marital status, job tenure, job status, union status, size of firm, size of residential area, industry of employment, and occupation, the wage rate paid to a female worker in New Brunswick continues to be about 17 percent lower than that paid to a man. A similar national study conducted by Statistics Canada found this result to be 11 percent for Canada as a whole.

8. This means that close to 80 percent of the current gender wage gap in New Brunswick cannot be explained by a wide range of demographic, labour market, and productivity characteristics and is likely attributable to gender-based labour market discrimination.

9. On average, women acquire more years of schooling as well as labour market experience than do men. Yet at all educational levels, New Brunswick women earn lower wages than men, although the gap narrows as educational level increases.

10. The gender wage gap in New Brunswick persists across all demographic and labour market characteristics, confirming the case for anti-discrimination programs by government.

Public treasury effects of removing gender wage gap in New Brunswick

Impact on government tax revenue collection

11. Removal of gender wage discrimination in New Brunswick is expected to result in an increase of about 11 percent in personal income tax collection, federal and provincial combined, for that province. This overall increase emulates the increase that would occur for majority workers in the sample, i.e., those who have acquired a post-secondary education but do not possess a university degree. These workers are about 72 percent in the sample. For those with lower and higher educational levels, this increase will be lower (7.8 and 7.4 percent, respectively).

12. Due to the 11 percent overall increase in federal and provincial income tax receipts, the government of New Brunswick is expected to gain about \$105 million in additional personal income tax revenues alone from removal of the current gender wage gap. Total tax receipts for the province (including personal income tax, sales tax, etc.) will increase by about \$226 million. The corresponding figures for federal tax receipt increases are \$178 million for increases in personal income tax and \$383 million for all taxes in total. Thus, provincial and federal governments can expect a rise in their collective tax revenue of about \$609 million.

13. Rough estimates indicate that removal of wage discrimination against women can result in 2,000 new tax-paying residents in New Brunswick, who would begin to earn enough income to pay taxes.

Impact on health care costs

14. Studies have shown that poverty and income inequality are important causes of differential health status within a population. For instance, one study conducted for Nova Scotia found that those belonging to lower income group (bottom 20 percent) use 43% more physician services than those in the upper middle to higher income groups (top 60 percent), those in the lower-middle income group (20-40 percent) use 33% more while those in the middle income group (40-60 percent) use 11 percent more. Another study showed that the incidence of chronic disease decreases with rise in income. Thus, one would expect that by causing their income levels to rise, removal of wage discrimination against women would help in improving their health status, thereby causing savings in health care costs to taxpayers.

15. Applying the general results found in literature on the impact of income increases on health care use, estimates of the likely savings in physician costs, hospital costs, and overall health care costs were obtained. Modest savings in annual health care costs are expected from an increase in women's income under an anti-wage discrimination program. These savings are reported below:

Savings in health care costs resulting from an anti-discrimination program in New Brunswick, 2003.

| | |
|----------------------------------|-----------------|
| Physician costs | \$7.65 million |
| Hospital costs | \$20.0 million |
| All remaining health care costs* | \$32.35 million |
| Overall savings | \$60.0 million |

*These costs include other health care institutions, other health professionals, drugs, capital, public health and administrative and other public health care costs calculated as a residual from the overall savings. Present analysis assumes that the share of physician and hospital costs in total health care costs will remain unchanged.

These anticipated savings of \$60.0 million in avoided health care costs due to low income are more than half of the overall budget deficit of \$110 million incurred by the Province of New Brunswick in 2003.

Impact on public transfers

16. Public transfers made to individuals and families depend on income and demographic composition. Estimates of likely savings in various government transfers were obtained for the Province of New Brunswick based on the removal of gender wage discrimination. These estimates are provided in the following table.

Changes in receipts of government transfers by women, New Brunswick, 2003 (\$ million).

| | |
|-----------------------|---------------|
| Child benefits | -5.40 |
| CPP / QPP benefits | -0.45 |
| EI benefits | -11.30 |
| Social Assistance | -1.58 |
| GST / HST credit | -1.70 |
| Workers' compensation | +0.56 |
| TOTAL | -18.99 |

Note: Numbers may not add up due to rounding.

17. A major conclusion drawn from the above table is that removal of gender-based wage discrimination in New Brunswick would result in a small saving of about 19.0 million in government transfer payments made to individuals in that province. This translates into a saving of about 0.7 percent of the current total transfers in New Brunswick. The highest saving would result in avoided payments of Employment Insurance benefits. The small overall change in public transfers could be due to the larger role played by the demographic composition of the population in determining the values of these transfers.

Conclusions

18. The overall public treasury effect of a government program aimed at removing wage discrimination against women in New Brunswick is summarized below:

Public treasury effects of removal of gender-based wage discrimination in New Brunswick, 2003.

| Component of Public Treasury | Value (\$ million) |
|---|--------------------|
| Tax increase (federal and provincial) | 609.0 |
| Savings in personal transfers | 19.0 |
| Savings in overall health care costs | 60.0 |
| Total benefit to provincial treasury | 688.0 |

19. The employers in the province would have incurred an additional payroll cost of about \$517 million had a program aimed at reducing gender discrimination been in place. This cost would be due to the 17 percent higher wages payable under the program.

20. The above data indicate that while the federal and provincial government together can enjoy a benefit of about \$688 million resulting from increased taxes and savings of transfer payments and health care costs, the additional payroll cost to employers would be only \$517 million.