



How much should you get paid? New pay transparency rules may give you insights

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PUBLISHED MAY 31, 2022

Kerry Taylor still remembers the sticky note that a male colleague and friend left on her desk before leaving for another employer during the dot-com boom of the early 2000s. The chit had his salary and signing bonus at the Vancouver tech company where they'd both been working as software developers.

According to the Post-It, he was making over \$15,000 more a year than Ms. Taylor despite having the same job, skills and experience, she said.

Roughly two decades later, new federal and provincial pay disclosure laws aim to narrow wage gaps such as the one uncovered by Ms. Taylor by mandating pay disclosures. The new rules will likely help bridge pay disparities while giving both workers and employers improved insight into compensation practices at a time when Canada faces a persistent labour shortage, experts say.

June 1 marks the deadline for larger federally regulated private employers to report aggregated wage-gap data. It's also the date when employers in Prince Edward Island will have to start including salary rates or ranges in any publicly advertised job postings.

The measures come as policy makers in a number of countries are introducing new pay transparency requirements for companies. Austria, Denmark and Britain, for example, already require some employers to track and report gender wage gaps. The European Union is also mulling pay transparency legislation that would apply in every member state.

In the U.S., New York will start mandating that employers include salary ranges in job postings later this year, following the example of Colorado, where a similar mandate came into force in January 2021.

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The laws will likely give women, and other groups such as racialized workers and those with disabilities, better leverage to obtain fair compensation, some economists and human-resources experts say.

Research shows that pay disclosure rules for existing employees have “definitely” narrowed gender wage gaps, said Zoë Cullen, an assistant professor at Harvard Business School. In Denmark, for example, one study estimated the pay transparency rules reduced the gender wage gap by 13 per cent.

In Canada, a recent study of university faculty across the country found that the pay gap between men and women shrunk by approximately 20 per cent to 40 per cent thanks to provincial “sunshine list” salary disclosures for higher-earning public-sector workers.

Researchers have also found that transparency requirements can lead to downward pressure on wage levels or wage growth. In her research, Dr. Cullen found greater transparency incentivizes employers to bargain more aggressively because individual salary negotiations are likely to have “spillover” effects affecting the compensation of other workers.

On the other hand, forcing employers to publish salary information for job postings could help push up salaries over all, although economists have just begun to study those more recent measures, Dr. Cullen noted.

“If it were the case that a significant share of employees started applying to higher-paying jobs, that should, in aggregate, increase competition,” she said.

That’s the impact Wendy MacIntyre, owner of ResolveHR in Charlottetown, expects the PEI rules will have on local businesses in the current labour shortage. “Because if everybody’s struggling to get employees, you want to have an idea that you’re at least in the ballpark with your competitors,” she said.

And while the PEI law applies to public job ads, Ms. MacIntyre expects it will also have a

knock-on effect on word-of-mouth recruiting, which remains common in the province.

The new transparency rules affect only a sliver of Canada's workers and employers, but their impact may have wider reverberations, experts say.

While Canada's federally regulated private companies count fewer than one million employees – or less than 6 per cent of the private-sector work force – they include large employers such as the banks, whose HR practices tend to influence even provincially regulated companies, according to HR expert Allison Venditti.

“Everybody else has to match what they're doing because they're such a huge piece of the white-collar labour market,” said Ms. Venditti, who is the founder of career coaching platforms Moms at Work and My Parental Leave.

When it comes to job postings, transparency measures like PEI's may soon come to other provinces. Similar legislation in Ontario received royal assent in 2018, though the province has yet to implement it. British Columbia is also considering new disclosure rules.

In the meantime, Ms. Venditti suggests that job applicants reach out to employers' HR departments to inquire about salary ranges when these aren't advertised.

Companies waste time when candidates walk away near the end of the recruiting process because their salary expectations don't match the offer, she said. Sharing pay information is in employers' interest, too, especially in a tight labour market, she added.

As for employees who discover they're grossly underpaid, Ms. Taylor said her experience holds a clear lesson.

After verifying that all the male co-workers on her team were vastly out-earning her, “I felt angry, I felt gutted, I felt just lost that I was being valued so much less,” Ms. Taylor recalled.

So when her company offered her a miserly 2-per-cent salary increase instead of bringing her compensation up to the average of her teammates – despite what she said were stellar performance reviews – Ms. Taylor left. She went to work for the competitor that had hired the friend who'd left the sticky note.

“Companies rely on the fact it's hard to switch jobs,” said Ms. Taylor, who eventually switched careers and founded Squawkfox, a popular personal finance website.

But if you pointed out a significant wage gap and got nowhere, “you should definitely pack up and leave.”

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