Embracing Pay Transparency: Preparing For Ontario's New Regulations And Beyond

The newly passed Bill 190, Working for Workers Five Act, 2024, has pushed pay transparency back into the spotlight. Prepare yourself by answering 3 key questions.

Pay transparency has emerged as a pivotal issue in the ever-evolving landscape of employment practices. Recent developments, including the passage of Ontario's Bill 190, Working for Workers Five Act, 2024 to mandate pay transparency, effective Jan. 1, 2026, have thrust this topic back into the spotlight.

Key compensation provisions of this new regulation:

- Disclosure of the range of expected compensation for publicly/externally advertised positions for work to be performed within Ontario
- Applicable to positions that have expected compensation less than $200,000 (inclusive of non-discretionary bonuses and other monetary compensation an employee is likely to earn)
- Maximum range of expected compensation not to exceed $50,000
- Applicable to organizations with more than 25 employees

WTW's recent Pay Transparency Survey provides key insights that will help to understand the implications of this bill.

Delving into pay transparency-related trends and insights, the survey is more relevant than ever for organizations gearing up to comply with new regulations and respond to growing demands for transparency.

Current state of pay transparency practices

Despite the growing emphasis on pay transparency, the survey found that only one-quarter of Canadian organizations have a formal philosophy about the pay information they will share with internal and external stakeholders.

Additionally, organizations are not confident in their pay programs and fear compensation-related questions from both employees and managers. Finally, pay programs have been put on cruise control and have not been updated to reflect changes in labour markets, economic conditions and socio-economic trends.

About half of Canadian organizations are concerned about salary compression, according to WTW's' Pay Effectiveness and Design Survey. However, increased pressure on organizations to change their pay programs has been countered with budget constraints, which have been both a driver and a barrier to change.

Global organizations are tasked with deciding whether to adopt a uniform pay transparency approach or something more localized. This decision requires careful consideration of various factors, including a consistent employee experience, local regulations, cultural norms and operational feasibility.

Drivers of change

The Pay Transparency Survey reveals that an increasing number of organizations are ramping up their efforts to meet pay transparency obligations. While regulatory requirements are a significant driver, they are not the only factor in the push for change. Other factors include:

- **Outdated pay programs**. As organizations have struggled to keep pace with rapid workforce changes, their confidence in the fairness and competitiveness of their pay programs has dropped.
- **Organization values and culture**. As organizations strive to differentiate themselves, a commitment to fairness and equity often is a driver for attracting and retaining talent.
- **Environmental, social and governance (ESG) initiatives and shareholder expectations**. ESG initiatives often include fair pay as a social responsibility consideration and shareholders are more frequently demanding fair pay.
- **Employee expectations**. Today’s workforce demands greater transparency and fairness, and organizations are responding.

In many cases, multiple factors converge to drive greater pay transparency within organizations.

Preparing for prime time: Key steps

To ensure readiness for pay transparency, organizations should be comfortable answering “yes” to three key questions:

01

Do you have a robust job architecture and career leveling framework?

Job architecture and a job leveling methodology help define objective criteria that underpin both pay equity requirements and pay transparency. This allows for the clear identification of employees who are performing the same work, similar work or work of equal value.

02

Do you have defensible and relevant pay policies that are shared with managers and employees? Are your managers prepared to answer questions related to policies and practices?

Enhanced pay policies and comprehensive guidance to HR and managers on effective pay management help support informed pay decisions during hiring, promotions and annual reviews. This reduces the risk of inequity and fosters transparency.

03

Are your HRIS capabilities enabled to meet increased disclosures and analytics?

Ensure that human resource information systems (HRIS) can handle required disclosures and analytics. Establish a regular cadence for conducting fair pay analyses to proactively address any pay gaps and inform reward actions in preparation for increased transparency.

If you answered “no” to any of these questions, now is the time to act. You need to ensure that the programs and education needed to ensure a smooth transition are in place.

As organizations navigate being more transparent, it is imperative that they recognize the current state of practices and take proactive steps to ensure they are ready to align with evolving employee expectations and meet regulatory requirements. Embracing pay transparency not only fosters trust and equity within the workforce, it also positions organizations as leaders in the modern employment landscape.

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