

# Federal Alert: Pay Transparency Changes Take Effect



## **Payroll Alert: New Federal Pay Transparency Rules Take Effect on June 1, 2022**

Ensure your June 1 annual employment equity report meets the new requirements

If you're federally-regulated, be sure that the [employment equity](#) report for 2021 that you're required to submit by June 1 complies with the new "pay transparency" rules. Here's a quick compliance briefing in the form of FAQs.

### **Q1. What Are Federal Employment Equity Laws?**

**A:** First adopted back in 1986, the [Employment Equity Act](#) and [Regulations](#) are designed to achieve 2 outcomes:

- Ensure [workplace equality](#) so that no person is denied employment opportunities or benefits for reasons other than merit and ability; and
- Correct "disadvantage in employment" experienced by 4 so-called "designated groups," namely, women, Aboriginal peoples, the disabled and members of visible minorities.

Employment equity laws overlap with but are separate from federal human rights and pay equity laws.

### **Q2. Whom Do the Laws Cover?**

**A:** You're covered by the law if:

- You're federally regulated and have at least 100 employees; or
- You're provincially regulated but participate in the Federal Contractors' Program.

### **Q3. What Do the Laws Require?**

**A:** Employers covered by the laws must do 5 basic things:

- Collect information and analyze their workforce to identify and determine the degree of underrepresentation of designated groups in each occupational group;
- Review their employment systems, policies and practices to identify any employment barriers they pose to persons in designated groups;

- Let each employee self-identify as a member of a designated group;
- Create and implement an employment equity plan setting numerical goals to eliminate identified barriers in the short- and long-term; and
- Submit an annual employment equity report to the Labour Program every June 1<sup>st</sup>.

#### **Q4. What Are the Changes?**

**A:** Revised employment equity regulations that took effect on Jan. 1 include 3 key changes:

##### **Change 1: New Pay Transparency Requirements**

You must include more detailed salary data to promote “pay transparency” in your annual employment equity report, starting this year, including calculations of each designated group and occupational group’s:

- mean and median difference in hourly rates;
- mean and median difference in bonus rates;
- mean and median difference in overtime pay corresponding to overtime hours;
- proportion of employees who have received bonus pay; and
- proportion of employees who have received overtime pay.

##### **Key Definitions (Regarding Private Employers)**

“**Salary**” is broadly defined to include “remuneration paid for work performed by an employee, before deductions, in the form of basic pay, pay for piecework, shift premiums, bonus pay and overtime pay, but does not include benefits, securities, severance pay or termination pay, vacation pay, payment in kind, supplementary payments, allowances, retroactive payments, reimbursements for employment expenses or compensation for extra-duty services other than overtime pay.”

“**Bonus pay**” means “any additional remuneration paid to an employee as a result of profit sharing, productivity, performance, commissions or any other incentives.”

##### **Change 2: New Record-Keeping Requirements**

The new regulations also require you to keep additional records for each employee pertaining to:

- Their salary, other than bonus and overtime pay;
- The period over which the salary was paid;
- The number of hours worked that attributable to the salary earned;
- The bonus pay paid in the reporting period;
- The overtime pay paid in the reporting period; and
- The number of overtime hours worked to which the overtime pay is attributable.

##### **Change 3: Expanded Census Metropolitan Areas for Reporting**

Under the revised Regulations, you must now consider all of the Census Metropolitan Areas (“CMAs”) as set out in the [Statistical Area Classification – Variant of SGC 2016](#) published by Statistics Canada. In other words, annual employment equity requirements are no longer be limited to the “designated” CMAs.