



A comparative analysis of promoting pay equity: models and impacts

Marie-Thérèse Chicha

DECLARATION/WP/49/2006

Working Paper

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Geneva

September 2006

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ILO / or author name, initial
(*title and sub-title of document*)
(city), International Labour Office, (year)

ISBN 92-2-119309-8 & 978-92-2-119309-8 (print)
ISBN 92-2-119310-1 & 978-92-2-119310-4 (web pdf)

Also available in French:

Analyse comparative de la mise en œuvre du droit d'égalité de rémunération: modèles et impacts
ISBN 92-2-219309-1 & 978-92-2-219309-7 (print)
ISBN 92-2-219310-5 & 978-92-2-219310-3 (web pdf)

ILO Cataloguing in Publication Data

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Foreword

In June 1998 the International Labour Conference adopted a Declaration on Fundamental Principles and Rights at Work and its Follow-up that obligates member States to respect, promote and realize freedom of association and the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.¹ The *InFocus Programme on Promoting the Declaration* is responsible for the reporting processes and technical cooperation activities associated with the Declaration; and it carries out awareness raising, advocacy and knowledge functions – of which this Working Paper is an example. Working Papers are meant to stimulate discussion of the questions covered by the Declaration. They express the views of the author, which are not necessarily those of the International Labor Office (ILO).

Women's average labour earnings are lower than men's everywhere. The gender pay gap persists despite the striking advances of women in educational attainments, especially in tertiary education.²

Many factors explain the persistence of this gap: differences in the productivity of men and women, the jobs they do, the number of hours they devote to paid and unpaid work, as well as gender-biased job classification or wage-fixing systems.

The variety of causes leading to gender inequalities in pay makes it apparent that no single policy measure is sufficient to reduce them. A set of interventions that simultaneously address each cause of the gender pay gap is necessary. Job evaluation methods help tackle discrimination in remuneration by comparing and establishing, on the basis of objective criteria, the relative value of two different jobs. Job evaluation helps to determine when two jobs that differ in content are of "equal value" and, thus, entitled to equal remuneration.

Promoting equal pay for work of equal value, or pay equity, is a fundamental right at work, that is enshrined in the Equal Remuneration Convention, 1951 (No. 100), among the widest ratified of ILO Conventions. Pay equity is not about men and women earning the same; nor is it about changing the work that women do. Pay equity is about redressing the undervaluation of jobs typically performed by women and rewarding them according to their value.

This paper seeks to examine the costs and benefits associated with the promotion of pay equity in order to inform policy, and to encourage employers to address gender discrimination in remuneration. This does not mean that, in case benefits outweigh costs, such cost-benefit considerations should become the main reason for promoting pay equity. Non-discrimination and equality is a human right, and as such is non-negotiable. The issue is rather how to promote it more effectively, by minimizing the costs and maximizing the benefits.

This paper constitutes part of the follow-up action plan on the elimination of discrimination at work ensuing from the ILO's first Global Report on the subject entitled *Time for Equality at Work*.³

¹ The text of the Declaration is available on the following web site: <http://www.ilo.org/declaration>

² EFA Global reporting: *Education for All: Literacy for life*, UNESCO 2006, p. 57.

³ This Follow-up Action Plan, endorsed by the ILO Governing Body in November 2003, makes part of the Follow-up to the 1998 ILO Declaration on Fundamental Principles and Rights at Work. These principles and

It was prepared by Prof. Marie-Thérèse Chicha, an economist and Professor at the School of Industrial Relations, University of Montreal (Canada). Marie- Thérèse Chicha is a well-known pay equity expert in Canada and abroad. She has written several books and articles on issues related to employment and pay equity, and management of ethno-cultural diversity. In 1995, upon the request of the Government of Quebec, she chaired a committee of experts whose recommendations served as the basis for the Quebec Pay Equity Act. As a member of the Working Group set up by the Canadian Government, she is a co-author of the report *Pay Equity, a new approach to a fundamental right* (2004) that recommended the adoption by the Federal Government of a proactive pay equity law in Canada.

My colleague Manuela Tomei has worked closely with Marie-Thérèse Chicha in the design and development of this paper. In thanking these specialists for helping us place this paper in the public domain, I am acutely aware that this is a highly under-researched area and trust that the paper will give rise to constructive debate on a key subject of labour and human rights.

Zafar Shaheed
Director
*InFocus Programme on Promoting the Declaration on
Fundamental principles and Rights at Work*

rights include: freedom of association and the effective recognition of the right to collective bargaining; the elimination of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in employment and occupation. The text of the Declaration can be found at:

<http://www.ilo.org/public/english/standards/decl/declaration/text/index.htm>. The text of *Time for Equality at Work* can be found at:

http://www.ilo.org/dyn/declaris/DECLARATIONWEB.GLOBALREPORTDETAILS?var_language=EN&var_PublicationsID=116&var_ReportType=Report#

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Introduction

The achievement of equal pay for work of equal value, or pay equity, a fundamental right embedded in the Equal Remuneration Convention, 1951 (No. 100), that has been ratified by the large majority of countries,⁴ remains largely unattained. The Report entitled *Time for Equality at Work* (ILO 2003a) highlights continuing pay discrimination between jobs of equal value, identifies its negative impacts and restates the urgent need to take the necessary steps to eliminate it. In a recent report, the European Commission (2006) deplores the fact that the gender pay gap remains unacceptably wide and does not show any signs of diminishing. These findings are of concern also to governments and social partners in many countries of the South and North.

The causes of continuing pay discrimination appear to be related to the limited effectiveness of pay equity legislation and, more particularly, to organizations' failure to comply with it. They seem reluctant to abide by this legislation on account of the pay bill increases that would ensue, and because of perceived potentially negative effects on their competitive position. Moreover, organizations fear that compliance with law may result in major transformations in the workplace, such as changes in the present occupational classification system or in the pay scales, thus leading to internal disputes and jeopardizing social peace.

Such considerations explain employers' reluctance to undertake the steps required to identify and eliminate pay discrimination. Meanwhile, numerous studies on the impact of other anti-discrimination initiatives such as affirmative action, measures aimed at diversifying workforce composition or reconciling work and life, reveal that the success of such policies depends largely on the employer's commitment. Where this is missing, equality programs often have a limited effect because senior management may ignore their prescriptions.

Hence, the next obvious step is to identify methods that encourage employers to commit themselves to pursuing the elimination of discrimination in the workplace. One potentially useful approach is the *business case* whereby non-discrimination and equality measures are promoted on the basis of the net economic benefits that they would yield to the organization. This approach has been utilized in the context of diversity management policies, but its potential, as far as pay equity is concerned, has yet to be thoroughly evaluated.

The objective of our research is to examine the costs and benefits of the promotion of pay equity through a comparative analysis of different national models. This does not mean that, in case benefits outweigh costs, this should become the main reason for promoting pay equity. Non-discrimination and equality is a human right, and as such is non-negotiable. The issue is rather how to promote it more effectively by minimizing the costs and maximizing the benefits.

⁴ To date only 16 Members States have not yet ratified it.

This paper will proceed as follows: in section 1 we will examine the causes of pay discrimination in order to identify the problems that pay equity legislation is intended to resolve. In the light of the wide range of existing legislative models and related outcomes, and in order to better understand the costs and benefits of each model, in section 2 we develop a typology of legislative models aimed at promoting pay equity.

The costs and benefits of each model are analyzed in section 3 and divided into two categories: the first is related to the costs and benefits associated with the process, while the second concerns the costs and benefits linked to the results of pay equity measures. The different costs and benefits depend on whether particular practices are in place. These will be reviewed in section 4 which will attempt to identify the “best practices” that help minimize costs and maximize benefits.

Lastly, section 5 will consider an approach that is closely linked to the issues before us, namely corporate social responsibility (CSR). We will endeavour to ascertain to what extent CSR effectively encourages employers to respect the principle of equal pay for work of equal value, thereby reinforcing the role of legislation. On the basis of our findings, we will present a series of recommendations intended to enhance the effectiveness of pay equity programs.

Readers may find that many of the examples and analyses presented in this document refer to Canada. This is due to the fact that the principle of equal pay for work of equal value has been consistently applied in this country over the past 30 years through a variety of models. At the international level, Canada is considered to be a pay equity laboratory since different legal approaches, both judicial and proactive, have been developed and tested. The richness of the Canadian experience, and the availability of studies on the subject, explain the numerous references to this country.

Section 1 – The gender pay gap and corrective policy choices

Before examining the implementation and impact of pay equity,⁵ we must define what we mean by pay discrimination and understand its causes and dynamics. The average gender pay gap is one indicator that is frequently used to measure the extent of women's disadvantage in the labour market. This gap is calculated as the female to male average earnings ratio in a given labour market. This ratio varies by country, period studied, characteristics of the groups concerned, and by the definition of the *earnings* variable that is used. Recent studies confirm that this gap exists in developing economies (Arabsheibani 2000; Garcia-Aracil and Winter 2006; Grün 2004; Hossain and Tisdell 2005; Liu 2004), in economies in transition (Giddings 2002; Gerry, Kim and Li 2004; Grajek 2001) and in advanced economies alike (Capparos Ruiz et al. 2004; Drolet 2002; Gartner and Rässler 2005; Gupta and Rothstein 2001; Neuman and Oaxaca 2003). At both international and national levels, policy makers recognize the need to better understand the causes of the gender pay gap and to take the necessary measures to eliminate it. The increasing number of studies on the subject bears witness to a growing interest in the causes and continued existence of this gap.

1.1 The gender pay gap and women's productivity characteristics

Numerous econometric studies have sought to identify the causes of the gender pay gap, and have shown that part of it results from a number of variables linked to the characteristics of both the individuals and the sectors in which they work. The most prominent include:

- Educational attainments
- Fields of study
- Work experience
- Seniority in the company
- Full-time or part-time employment
- Trade union density
- Company size
- Type of industry

The pay differential between men and women that is due to differences in the above-mentioned characteristics does not constitute pay discrimination. Some researchers also include "occupation" among these variables. According to them, women's high representation in occupations considered low-skilled, and men's high concentration in more skilled jobs, is taken as a factor that explains a portion of the gender pay gap that is related to the labour market structure, and not to pay discrimination. But the definition of low-skilled occupation, or an occupation with a low level of responsibility, is generally

⁵ Throughout the text the expression "pay equity" will be used to refer to equal pay for work of equal value.

based on a classification of occupations⁶ that contains stereotypes and prejudices about the requirements of female jobs. Hence, an occupation perceived to be «low-skilled» may in fact not be so. An analysis of its requirements through a non-discriminatory job evaluation method may reveal a range of qualifications and responsibilities that were previously overlooked. Consequently, it is appropriate to evoke occupation as a productivity characteristic only after female-dominated jobs have been re-evaluated.

According to Gunderson (2006; 6):

*Occupation is the main labour market variable that should **not**⁷ be controlled for, since stereotypes of <appropriate> occupations can lead to occupational segregation and hence be a mechanism through which labour market discrimination manifests itself*

Although productivity characteristics have an effect on the overall gender pay gap, they cannot be directly corrected through pay equity policies. Other types of policy measures are required to this end. These include:

- Measures to ensure that educational institutions encourage female students to choose typically male-dominated disciplines.
- Policies that allow both parents to more easily balance work and family, so as to ensure that women's work experience and seniority are not penalized. Measures would also need to be taken whereby seniority continues to accumulate also during maternity leave.
- Recruitment, selection and promotion practices that enhance women's access to well-paid, male occupations such as electricians, engineers, senior executives, and computer scientists
- Measures that encourage unionization in jobs where women are heavily represented, i.e. part-time, fixed term and home-based work, as well as in personal services. More women must also be assisted in moving from the informal to the formal economy.

It is not possible to list here the whole range of relevant policy measures, especially because they must be adapted to the characteristics and needs of each country. However, each and every of the above-mentioned measures if implemented can contribute to the reduction of the gender pay gap. For example, the modification of promotion practices may assist women in gaining access to more high-level positions, thus raising women's average earnings levels. Similarly, measures to increase female unionization rates may also have an indirect and positive impact on average female earning levels, thus contributing to the narrowing of the gender pay gap. By altering women's productivity characteristics, each of these measures will indirectly contribute to lowering the pay gap.

⁶ Classification that is usually developed by national or international statistics organizations.

⁷ Author's emphasis.

This indirect effect must be distinguished from the direct effect on the pay gap that would result from measures specifically targeting sex-based pay discrimination.

1.2 The gender pay gap and the undervaluation of female-dominated jobs

After controlling for productivity variables, an unexplained residual gap remains that is commonly equated with discrimination. This residual gap varies from country to country: in some countries such as South Africa (Grün 2004) or South Korea (Monk-Turner and Turner 2004) it is equivalent to about 1/5 of the total pay gap; in others such as Canada (Drolet 2002) or Denmark (Gupta and Rothstein 2001), it accounts for 2/5. It amounts to some 4/5 of the total gap in Australia (Preston 2000), China (Démurger et al. 2005; Meng 2004) and Libya (Arabsheibani and Manfor 2002). Notwithstanding the differences in the size of the discriminatory pay gap, which in part reflects methodological differences, the fact remains that few studies have found a residual gap of zero. According to Gunderson (2006), who focuses primarily on econometric studies concerning advanced economies, the residual gap generally ranges between 5%-15%. This gap could be higher if it included the variable portion of the remuneration and the social benefits that might be allocated in a discriminatory fashion, to the detriment of predominantly female jobs.

There are two types of pay discrimination:

- The first type occurs when a different pay is given to the same job, for example to a female and male policeman with the same qualifications, seniority and responsibilities. This form of discrimination contravenes the principle of equal pay for equal work and is relatively easy to prove and remedy. It would appear that today this type of discrimination goes hand-in-hand with the entry of women into particular traditionally male occupations. It is important that the means be devised to prevent its further development.
- The second type of discrimination occurs when jobs, different in content but of equal value, receive a different pay; for example when a policeman (male job) earns more than a nurse (female job). This form of discrimination, which conflicts with the principle of equal pay for work of equal value embedded in ILO Convention No. 100, accounts for the largest share of the residual wage gap.

This type of discrimination is more difficult to prove and its elimination more difficult to achieve. It is based on a historic feature of labour markets, namely occupational segregation by sex. Even today women are concentrated in a limited number of jobs in which they account for as much as 80 or 90% of the workforce (e.g. secretaries, receptionists, sales staff, cashiers, nursery or primary school teachers, etc.) On the other hand, also men are heavily concentrated in particular jobs, although the range of jobs is broader, ranging from senior executives to information scientists, truck drivers and mechanics.

There is a close match between female or male predominance and pay levels. Generally speaking, both in the labour market and in organizations, the most poorly paid occupations are those where women predominate, while the better paid are those where men prevail. This lies in that the factors responsible for pay discrimination revolve around occupational segregation along gender lines. The most important causes of pay discrimination are:

- Prejudices and stereotypes
- Traditional job evaluation methods
- Remuneration systems
- Bargaining power

Prejudices have a dual effect on the perception of female dominated jobs:

- On one hand they regard women's earnings as supplemental and not central to the family income. Although this is certainly no longer true, the effects of these prejudices are still apparent in present pay systems.
- On the other hand, the requirements specific to particular female dominated jobs such as patience, keen interpersonal skills and attention to detail, are deemed to be intrinsic to women's nature. This helps explain why certain female occupations involving looking after people, and particularly children, are typically poorly paid. A study by R. Anker (1997) clearly illustrates this problem by drawing a parallel between the so-called female and male attitudes, and the characteristics that are specific to the main occupations dominated by either gender.

Stereotypes associated with female jobs tend to consider the latter to be undemanding in terms of physical effort, undertaken in a pleasant indoor environment, free of discomforts such as extreme temperatures or noise, and involving limited responsibility. The combination of these characteristics partially explains why low wages are paid for typically female jobs.

The influence of prejudices and stereotypes on job evaluation methods serves to reinforce and maintain gender pay disparities. These methods, which were designed during the 1930s, constitute an important tool that permit establishing a hierarchy of jobs that, at that time, were originally male-dominated. The content of these methods, and the criteria on which they are based, reflect the requirements of male jobs. These methods have not been revisited in the light of women's massive entry into the labour market, and, thus, do not take into account the specific requirements of female jobs. As a consequence, traditional job evaluation methods overlook or undervalue important aspects of female jobs, thereby contributing to the perpetuation of the discriminatory pay gap. Despite the fact that technological advancements, as well as economic and legal changes, have prompted either the development of new job evaluation methods or the revision of the existing methods, it would nonetheless appear that the requirements of female jobs continue to be only partially taken into account in many cases.

On the subject of pay scales, a common practice among enterprises is to fix the pay of a particular occupation on basis of the market rate; that is, on the average pay of this occupation in comparable enterprises. Unless enterprises in the sector have already ascertained that there is no discrimination in their pay scale, the market average will in itself be discriminatory. Likewise, the fact of fixing the pay of a newly recruited employee on the basis of her previous pay may encourage the reproduction of pay discrimination against women workers.

Moreover, where pay structures are based on pay scales, it may be noted that for jobs of equal value, there are longer pay scales for female jobs than for male jobs. As a result, the time required to reach a particular pay level is much longer for women than for men, thereby perpetuating a certain degree of pay discrimination.

Lastly, female employees have a weaker bargaining power than men. Historically, women have had less influence on trade unions because of two main reasons: either women were scantily represented in total numbers and their voices carried little weight in general assemblies, or they were absent in trade unions' decision-making bodies. In addition, their interests seemed to take second place, and they were more prone to holding office jobs that were considered not as strategic as blue-collar jobs, predominantly held by men. The interdependence between these factors has generally resulted in women's interests being relegated to a secondary level in collective bargaining, as well as in lower pay levels.

All these factors and their interaction explain the extent and persistence of sex-based pay discrimination. Its elimination requires an in-depth review of job evaluation practices and pay policies of enterprises in order to definitively eradicate sexist prejudices and stereotypes. The promotion of the right of equal pay for work of equal value, and the fixing of non-discriminatory pay, must begin with a clear understanding of the discriminatory mechanisms underpinning both job evaluation methods and pay systems. It is then necessary to identify such mechanisms at the enterprise level, through a rigorous pay analysis, replace them by non-discriminatory job evaluation methods that ensure that female work is assessed on the same basis as male work, and that pay is adjusted accordingly. Pay equity policies are as much a matter of process - removal of discriminatory obstacles, e.g. gender biased job evaluation and remuneration systems - as of the final results: achieving equal pay for work of equal value.

1.3 The causes of the gender pay gap and corrective policy choices: the need for coherence

The above analysis recalls the fact that the pay gap between men and women is the result of a series of causes. Although there may be an interaction between these different causes that have a cumulative disadvantageous effect on the situation of women, it is important that specific policies tackle them individually. It is not possible to resolve the problem of the devaluation of women's work by facilitating their entry into technical and scientific sectors. In addition, it will not be possible to eliminate this devaluation by removing what is known as the glass ceiling- that is, the obstacles which women face while attempting to

gain access to senior executive posts. While it is true that all of these measures could potentially have an effect on the overall gender pay gap, they cannot however be held entirely accountable for the problem of a lower wage being paid to women for work of equal value.

It is necessary to make a distinction between the different causes of the gender pay gap if we wish to establish legal mechanisms based on appropriate methodologies. This distinction becomes even more important when it pertains to pay discrimination, since eliminating it requires a very specific methodology. This involves an in-depth review of the jobs profiles in an organization, and an evaluation of these jobs and of pay practices. Any confusion between the objectives that different policies aim to achieve not only blurs methodological approaches but also makes it impossible to correctly assess results.

In the next section, we will see how this lack of conceptual and methodological clarity is present, with varying degrees, in the pay equity policies that are being presently promoted.

Section 2 – comparing pay equity policy models

As previously stated, the key aim of this research is to provide a cost/benefit analysis of promoting pay equity. To this end, we must first define the different types of pay equity policies that exist, their goals, contents and outcomes. This is the reason why we have examined a number of such national policies from the viewpoint of the methodologies used and corresponding results. This is a complex and sometimes risky task because information on the various legislative and administrative provisions related to pay equity, as well as their application and impact are often difficult to find.

Our review of national pay equity policies is based on the following sources:

- reports by the ILO Committee of Experts on the Application of Conventions and Recommendations (CEACR) concerning Convention No. 100;
- international studies on pay equity policies or equal employment opportunities policies (Colclough, 2004; Cormack, 2004; Grimshaw and Rubery. 2001; JamO 2003a; Federal Ministry of Family Affairs, Senior Citizens, Women and Youth, 2002 ; Norwegian Centre for Gender Equality. 2002; Pillinger, 2004; Nergaard and Soumeli 2002). The majority of these studies are confined to EU countries;
- national studies, presented below
- institutional publications: reports by National Equality Commissions or by national or international trade union federations.

A typology consisting of three pay equity policy models has been established on the basis of the review of a broad range of national pay equity policies. This typology will help better understand the various costs and benefits of such policies, highlight their varying scope, and identify their shortcomings, including some of the causes of their limited effectiveness.

This overview has identified six jurisdictions that have developed national pay equity programs⁸ that have been fully or partially assessed. These six jurisdictions are: Sweden, Quebec (Canada), United Kingdom, Netherlands, France and Switzerland.

The analysis of the pay equity policies implemented in these jurisdictions reveals that there exist different types of such policies that differ significantly among them. While the heterogeneity of these policies might be surprising at first sight, further analysis reveals that these differences are the result of the ambiguity surrounding the concept of pay equity. Similarly, although all the models identified pursue the same goal, the means used to reach such a goal are sometimes conceptually or methodologically inadequate.

We confine our examination solely to proactive policies, namely those policies that encourage or require employers to implement a pay equity plan even when no discrimination complaint has previously been lodged against them. Our analysis seeks to identify the costs incurred and the benefits obtained from such plans.

The first model identified (Sweden and Quebec) is based on the three elements of wage discrimination as identified by case law (Veldman 2004):

- A comparison between a female-dominated job and a male-dominated job for the same employer or in the same establishment.
- An evaluation of these jobs using a non-discriminatory method of analytical job evaluation.
- An estimate of the pay gap between these jobs.

If the process reveals that a discriminatory pay gap exists, this must be rectified through pay increases within a specified period.

We consider this to be the reference model as its means and goals correspond to those of pay equity as described in the previous chapter. In addition, the envisaged process is sequential, and clear timeframes are pre-established for each and every phase of such process. This model combines the achievement of equal opportunities and that of equal results: equal opportunities, because job evaluation methods and pay equity indicators are examined with a view to removing the underpinning discriminatory aspects; equal results because the final objective of the pay equity exercise is to institute an equal pay for jobs of equal value.

The second model (UK and the Netherlands) focuses more on equal opportunities than on equal results. It provides very rich guidance on the job evaluation and pay practices that are to be assessed, and in this sense is quite interesting and instructive. However, unlike

⁸ We consider a national program to be one which is governed by a specific law or which is implemented by the public authorities. The program may be universal or partial in scope, applying only to organizations meeting specific criteria. A number of joint employer-trade union initiatives fall within the reference model, i.e. Model 1 (see next pages), and reveal interesting and innovative methodologies and results. We use some of them to illustrate a particular aspect of costs, benefits or best practices, but it is not possible to provide an exhaustive overview in the context of this research report.

Model 1, it does not require that a structured sequence is followed nor does it require achieving pay equity within a given timeframe. As a result, employers are left with a significant amount of discretion to make their own decisions about which methods to adopt to eliminate pay discrimination once detected.

The third model (France and Switzerland) is further removed from Model 1 both in terms of the pay fixing practices and systems, that it seeks to correct, and the results to be attained. The two national cases studied under this model reveal, however, both innovative features and significant limitations.

These three models are therefore based on different implementation processes and on different standards of results. It is not our intention to provide an exhaustive overview of national pay equity policies; we rather aim to contrast the differences between the three models and, subsequently, analyze the costs and benefits associated with each of them.⁹

2.1 Model 1 – Seeking to correct discriminatory pay practices and eliminate the discriminatory pay gap: Sweden, Quebec (Canada)

This model is characterized by a legislation that requires companies to adopt an action plan that ranges from the analysis of pay determination systems to implementing the required pay adjustments to ensure that jobs of equal value receive an equal pay. Both countries possess legislation and institutions that provide a precise framework for their action in the pay equity. Under this proactive approach, employers have an obligation to carry out a review with the aim of detecting the existence of pay discrimination in their company and, subsequently, correct any pay discrimination which is uncovered.

2.1.1 Sweden

According to a study carried out by Colclough (2004), the Swedish model is exemplary in that it requires the local social partners to jointly develop and implement pay equity plans that are tailored to the specific circumstances and needs of each company. In the process, the social partners receive technical support from institutions with the necessary resources and expertise.

a) The process

The Equal Opportunities Act of 1991 stipulates that all organizations with 10 employees or more must formulate and implement a pay equity action plan. This plan must incorporate at least three elements:

- A list of proactive measures to promote equality
- An overview of pay disparities between women and men, outlining the measures to be taken to correct the pay gaps observed

⁹ Finland adopted a similar model in 2005, which likewise places it in the first model.

-
- A follow-up detailing the successes achieved in implementing the previous year's pay equity plan.

In 2001, the requirements relating to the second item were further refined in an amendment detailing more precise obligations regarding the achievement of pay equity. The employer is required to formulate a pay equity action plan in order to ensure that remuneration is fixed on the basis of objective criteria that are common to all jobs. The Act is intended to counter both pay disparities between women and men doing the same job and those existing between predominantly female or male jobs that have equal value. The Act details the factors that must be taken into account in the evaluation and include qualifications, responsibilities, efforts and working conditions. Working conditions must receive careful attention.

Each year, employers are required to carry out a pay survey and analyze their pay policies and practices, even in cases where there was no disparity identified in the previous year. Following the survey, the employer must develop a pay equity action plan which includes the results of the pay survey, an analysis of the pay system and the planned approach to identify and correct pay inequalities in the system. (JamO 2005; Holm and Harriman 2002). The plan must list:

- the envisaged measures to eliminate the pay differentials,
- an estimate of the related costs
- a timeframe that cannot exceed three years.

The responsibility for eliminating the discriminatory pay gaps falls on the employers and trade unions during the bargaining of collective agreements or pay increases as well as on other instances. Trade unions who have concluded a collective agreement with an employer must be granted confidential access to the wages of all employees (Holm and Harriman 2002). Although the law states that employers and worker representatives must collaborate to achieve pay equity, it does not detail the specifics of this process.

There are two administrative bodies: the Equal Opportunities Ombudsman (called JamO) and the Equal Opportunities Commission. The first specifically oversees compliance with the Act and ensures that employers meet their obligations under the law. It also provides consultation and advisory service in relation to the development and implementation of pay equity action plans. With a view to helping SME to meet the requirements of the Act, JamO has also materials to guide SME's in the implementation of pay equity plans. (JamO, 2005). In the event that employers fail to comply with the law, the Commission can order them to do so and, where appropriate, impose penalties.

b) Results

A number of surveys have been carried out by JamO. This body has repeatedly encountered difficulties in obtaining consistent and precise data:

The level of precision in employers' action plans for equal pay is extremely varied. Sometimes reference is made to the number of individuals and sometimes only a certain group is referred to. In nearly half of the plans that say that salary

adjustments will be carried out, information is lacking on cost calculations. The methods of calculating costs vary. They can be given in the form of gross pay costs for the employer or in the form of pay increases for the individual employee. (JamO 2005; 11)

An initial review cover 900 pay surveys carried out between 2001 and 2005. According to JamO, pay adjustments were made for at least 100 employers, or 11% of the total. Some 1000 employees had their pay adjusted on the basis of the principle of equal pay for equal work and 160 occupational groups, involving 9000 employees, had their pay adjusted in the context of equal pay for jobs of equal value. JamO, however, draws attention to the scant reliability of data regarding the number of employees affected.

In 2004-2005, an additional survey was carried out in 50 organizations (10 from the municipal sector and 40 from the private sector) that had received support from JamO. The survey revealed that the pay adjustments that were required in 24 cases were all carried out (JamO 2005). This demonstrates that, even under a compulsory legal system, support and follow-up by specialized bodies is essential in ensuring fullest enforcement by companies.

2.1.2 Quebec (Canada)

Two of Canada's provinces have proactive legislations covering all economic sectors and federal enterprises operating within their jurisdictions. The judicial approach that still remains in force elsewhere in Canada has recently been criticized, and the Federal Working Group on Pay Equity has recommended a new legal approach (Bilson, Chicha and MacCrimmon 2004). While the primary focus of this study is on the legislation in Quebec (1996), that is more recent than that in Ontario (1988), the two laws share many similarities. The Quebec Act on Pay Equity consists of 135 articles, covering all aspects of pay equity implementation. It is comprised of the same three elements as the model used in Sweden. Any employer with 10 or more employees is subject to the Act. According to Lemière (2006; 87), this Act represents *the most advanced policy* in the sphere of pay equity.

a) The process

The Act lays down the timeframe to which employers must adhere and fixes a deadline for compliance. It also outlines the steps that all employers with 50 or more employees must follow, namely the development of a pay equity plan that comprises four stages aimed at diagnosing the existence of sex-based pay discrimination.

- Stage one: identification of those job categories that are predominantly female and those that are predominantly male. The Act lays down three criteria for determining such job categories; it also puts forward four alternative criteria for determining the gender predominance of job categories.
- Stage two: development of the method, tools and evaluation process relating to the identified jobs. The job evaluation criteria must include four factors: qualifications, responsibilities, efforts and working conditions.

-
- Stage three: evaluation of jobs, calculation of pay disparities and implementation of the required pay adjustments. The Act stipulates that total remuneration must be considered which includes basic pay, variable compensation and any associated benefits or perquisites. It specifies that the pay to be taken into consideration, if there is a pay scale, is the maximum rate and provides a non-exhaustive list of the components of the other two pay elements. Specific methods of comparing pay - on an individual and on a global basis - are presented, leaving the choice up to those in charge of the programme.
 - Stage four: determination of the modalities for the payment of pay adjustments. The Act provides for a maximum period of four years following the formulation of the pay equity plan within which all required pay adjustments must be disbursed, and pay equity between female-dominated jobs and male-dominated jobs of equal value must be established. For example, the deadline for the formulation of the plan and the first payment of the required pay adjustments was December 21, 2001; while the deadline for the last pay adjustment was November 24, 2005.

The new wages ensuing from the above-mentioned process must be incorporated into collective agreements, and the maintenance of the obtained results is compulsory.

Organizations employing between 10 and 49 employees are not required to develop a formal pay equity action plan. Nevertheless, they must identify any discriminatory pay gaps and correct them. This different treatment for smaller businesses was designed to allow them greater flexibility in light of their more limited resources. Nonetheless, flexibility often leads to ambiguities that may result in greater difficulties at the implementation stage since smaller businesses may lack the required expertise and resources to achieve this goal on their own.

Undertakings with 100 employees or over must have a pay equity committee representing employers and employees, with responsibility for developing the first three stages of the plan. This committee must be made up of at least 2/3 employee representatives, and, of these, at least half must be women. The employer is required by law to provide the necessary training and information to enable them to carry out the corresponding responsibilities. In undertakings with between 50 and 99 employees, the law does not require the establishment of a committee, but provides that the employer and the trade union jointly formulate a pay equity plan. Lastly, for undertakings with between 10 and 49 employees, no requirement exists regarding the participation of employee representatives.

The Pay Equity Commission, established under the Act, has a number of responsibilities including overseeing the implementation of the Act, drafting guides, providing training and disseminating information on various aspects of the Act.

The Quebec Pay Equity Act is possibly the most detailed and structured example of a legislative framework. However, one of its weaknesses lies in that employers are not required to report back which may negatively impact on the degree of law compliance.

In addition, sanctions, that range from \$1,000 to \$25,000 and are doubled in the case of repeat offences, are relatively weak. For large enterprises in particular, it is clear that these amounts have a limited deterrent effect.

b) Results

Although a precise timeframe for achieving pay equity has been set by law, a certain number of companies have failed to meet it.

- This may be due to the considerable time lag between the establishment of the Pay Equity Commission and the publication of its application guidelines. The limited budget originally allocated by the Government prevented the Commission from carrying out its functions in an effective manner. Consequently, many enterprises waited for more precise guidelines before drawing up their pay equity plans.
- The absence of tools adapted to the particular needs of small enterprises discouraged the latter from embarking on a process that they considered to be nebulous and uncertain. In 2002, there was a change for the better with the appointment of the new president of the Commission and the establishment by the Ministry of Labour of the Pay Equity Bureau dealing solely with SMEs needs.¹⁰ These two factors improved the assistance available to companies, leading to increased compliance.

A recent survey conducted by the Institut de la Statistique du Québec (2005) involving undertakings with 200 or more employees revealed that 80.2% of pay equity plans have been completed. This includes:

- Partial plans that ended after the first stage because there were no predominantly female or predominantly male occupations in the enterprise (24.1%);
- Partial plans that ended after the third stage because there were no pay disparities between equivalent occupations (24.1%);
- Plans that reached the fourth stage, where modalities for the payment of pay adjustments are determined (35.1%)

The increase in the average pay of 1098 predominantly female occupations,¹¹ that had benefited from pay adjustments, totaled 5.6%. The occupations that most frequently received adjustments were office staff, followed by the professionals, service workers and labourers and, lastly, technicians. Another survey of a sample of companies employing 50 employees or over revealed that the female jobs most frequently subject to adjustment were:

¹⁰ The Bureau was subsequently merged with the Pay Equity Commission.

¹¹ This figure can refer to the same profession several times where different employers are involved. For instance a secretary job that receives pay equity adjustments in 30 enterprises will be counted thirty times.

-
- secretaries;
 - assistants with different functions (office, accountancy, data inputting, procurement);
 - attendants with different functions (reception, cloakroom, quality control, reservations, information technology);
 - wrappers, packers, and production operators (Chicha et Saba 2006).

As for SMEs, data obtained through a survey by the Quebec Pay Equity Commission (2002) showed that an average 8.4% pay adjustment was made to the holders of predominantly female jobs in enterprises with between 10 and 49 employees. Of the companies that replied to the survey, half had initiated or completed pay equity measures.

There is another reason that explains the limited impact of the Quebec law, especially during the years immediately following its enactment. This lies in the inclusion of Chapter (IX) that establishes a preferential system for the State as employer, and for those companies that had initiated a pay equity exercise prior to the adoption of the law. This preferential system imposed on them less stringent requirements than those envisaged by law (Chicha 2002). This is a reflection of the tensions that the State is subject to because of its dual role as an employer and a lawmaker, thus reflecting the conflicts of interest that can emerge. Challenged before the courts by the main trade union federations, Chapter (IX) was repealed in 2004 after it was declared to be unconstitutional. As a consequence, the government of Quebec and the organizations that had invoked a preferential treatment had to recommence the pay equity exercise that concluded in June 2006. In Ontario, a similar situation had aroused, and had also been settled in court.

2.2 Model 2 – Seeking to correct discriminatory pay practices: United Kingdom, Netherlands

In Europe, both the UK and the Netherlands rely on employers' voluntarism. Although their approaches differ in some ways, they share two important elements. On the one hand, a positive feature of their policies is that they envisage a thorough assessment of workplace sex-based pay discrimination that permits measuring its different dimensions. On the other hand, their weakness lies in that this diagnostic is not incorporated into a complete and multi-staged process comprising the evaluation of jobs, and the measurement and subsequent elimination of the discriminatory pay gaps, within a given time frame. This model focuses more on the establishment of non-discriminatory pay practices than on the elimination of the pay gaps themselves; more on achieving equal opportunities rather than equal results.

2.2.1 United Kingdom

a) The process

Pay equity in public and private entities is voluntary. The Equal Pay Act of 1970 and the Sex Discrimination Act of 1975 do not require employers to carry out pay equity

measures. The *Code of Practice on Equal Pay*, which came into force in 1997, serves as a guide for the application of pay equity, based on a series of practices derived from court rulings. It is complemented by an extensive series of publications by the *Equal Opportunities Commission* that reflect a genuine willingness to promote pay equity in workplaces:

- *Equal Pay Review Kit - Guidance Notes*
- *Good Practice Guide - Job evaluation Schemes Free of Sex Bias*
- *Equal Pay Review Model*
- *Equal Pay, Fair Pay. A Small Business Guide to Effective Pay Practices.*

The *Code of Practice on Equal Pay* outlines the five stages to be followed in order to carry out a pay review on a voluntary basis:

1. Decision on the scope of the review and identify the required data. The employer may select which jobs are to be compared and which are not. The employer may decide to include or exclude employee representatives.
2. Determination of equal jobs and those of equal value. The employer is free to choose the method s/he considers fit, and that may or may not rely on a job evaluation method.
3. Gathering of data on wages in order to identify the pay gaps. It is specified that only significant pay gaps should be considered.¹²
4. Identification of the objective causes of any significant pay gap.
5. Formulation of a plan of action and follow-up. (Code of Practice on Equal Pay 2003).

The fifth stage, which should logically aim at the elimination of the discriminatory pay gap, sometimes appears to be focusing on addressing other problems, as shown by the following example

Early action has been in relation to internal recruitment processes. This included looking at whether people were encouraged (or not) to apply for particular jobs. This lack of recognition of potential opportunities was closing off progression routes to some groups, and impacting on the organizational gender pay gap. The organization also found that it had a body of staff (mainly women) that did not seek promotion. A challenge for the organization was to encourage more women to aim for promotion, especially once they had fewer family responsibilities. (Code of Practice on Equal Pay 2003; 31).

Upon completion of the four stages aimed at identifying pay discrimination between equal jobs or jobs of equal value, the *Code of Practice on Equal Pay* goes on to recommend measures which address the problem of women's unequal access to particular posts rather than pay discrimination as such. These are two different issues

¹² The Code does not define however what a "significant gap" means.

that must be dealt with separately otherwise they may generate confusion among employers, thus undermining the achievement of pay equity.

b) Results

Since 2001, the government has encouraged establishments to carry out Equal Pay Reviews (EPR). Recently, the Commission has carried out successive surveys allowing it to draw up a profile of the situation and track its development. Results indicate that compliance with the *Code of Practice on Equal Pay* is fairly limited. It appears that company databases have shortcomings, given that $\frac{3}{4}$ of respondents were unable to state the average earnings of men and women in their organization.

In the sample under consideration, 11% of organizations declared that they had carried out an EPR covering both equal work and work of equal value. Other organizations that stated that they had adhered to the Code had, however, neither compared the same jobs nor jobs of equal value. A relatively small number of organizations had identified a pay gap. Among the employers who were able to report on the average gender pay gap, the figure stood at approximately 85%. It also emerges from this survey that respondents are not familiar with the documents underpinning the EPR, be it the Code of Practice or the Equal Pay Review Kit. It is therefore not surprising that 85% of those who have not carried out an EPR justify it by stating that no discrimination exists in their pay systems (Adams, Carter and Schäfer 2006).

This prompts the authors to note that:

The findings show that progress is stalling amongst large employers; that interest is waning significantly amongst smaller private sector employers; and that whilst the public sector is better, much depends on the carrying through of existing plans. Many employers appear not to be following the EOC's Code of Practice on Equal Pay recommendations when carrying out EPRs. (Adams, Carter and Schäfer 2006)

One case study, involving 15 organizations (seven of which in the public sector) that had carried out an EPR, indicates that nine of them identified a pay gap during the course of the review, but few had taken steps to correct the pay disparity (Neathey et al. 2005). Indeed, British employers appear reluctant to carry out follow-up and to measure the impact of the equity measures they adopt (Parker, 2004).

The low level of compliance by British companies has prompted the Equal Opportunities Commission to state that voluntarism has proved a failure and that a new approach is required (EOC 2006). Its non-compulsory nature is certainly a major factor in explaining the limited respect of the law. But another explanation may also lie in the very broad range of choices before the employer. Moreover, the ambiguity of the terms used in the Act further complicates the situation; this instrument indicates that the expression *equal work* refers both to equal work and to work of equal value, which is obviously liable to misinterpretation.

2.2.2 Netherlands

a) The process

In the Netherlands, the principle of equal pay is embodied in the Constitution and in the *Equal Treatment of Men and Women Act (1980)* and the *Equal Treatment Act (1994)*. The approach adopted by the law is of a voluntary nature and lies on tripartite initiatives. In 2000, the social partners, the Government and the Equal Opportunities Commission introduced a pay equity action plan. A 10-point pay equity checklist was developed to help the social partners and human resource development managers to identify potential discrimination in pay systems (Van Hoogstraten and van Embden 2002). The elements included in the list were identified drawing from discrimination cases handled by the Equal Opportunities Commission (Dierx, Brons and Bisschop 2003) and are appropriate for analyzing pay discrimination.

It includes the following 10 questions:

1. Does the pay system discriminate between employees on the basis of working hours or type of contract?¹³
2. Are the criteria used to rank employees in the pay scale non-sexist?
3. In practice, does the pay system guarantee equal pay for men and women?
4. Are pay increases for equal jobs equal?
5. Are men and women equally eligible for social benefits?
6. Are men and women equally eligible for retirement benefits?
7. Are men and women equally eligible for incidental supplements, allowances or bonuses?
8. Are pay systems that incorporate an element of variable remuneration offered to all employees, regardless of sex?
9. Do all employees, regardless of sex, benefit from the same elements of a “cafeteria” scheme, when the latter is in place?¹⁴
10. Do mergers, fusions and the like give rise to lasting pay discrimination?

Although fairly exhaustive in the analysis of both the content and structure of pay systems, this list nonetheless fails to address more specific aspects that lead to pay equity; most notably it fails to estimate discriminatory pay differentials.

As for job evaluations, the Commission has developed a list of criteria that helps assess whether a job evaluation method is non-sexist (Dierx, Brons and Bisschop 2003). This is due the fact that the job evaluation methods presently used in Dutch establishments are primarily based on methods that are not considered to be sufficiently rigorous by the *Equal Opportunities Commission* (Bisschop 2003).

¹³ The objective here is to ascertain whether hourly rates are lower for part-time work, which would be discriminatory because many Dutch women work on this basis.

¹⁴ In a “cafeteria” scheme, employees can choose from an established list of social benefits based on their needs.

b) Results

Given that employers are not required by law to provide follow-up reports, and that there have been no systematic surveys on the subject, it is difficult to assess the impact of these initiatives. However, it would appear that, to date, impact has been limited (Grünell 2004). In view of the fact that the discriminatory pay gap is not closing, the government has recently decided to embark on three specific actions targeting employers and trade unions:

- A *quickscan* method of pay equity that permits to identify pay gaps.
- A tool that permits to ascertain whether these gaps are discriminatory.
- A non-discriminatory job evaluation guide.

In addition, social partners are being invited to resume the use of the 10-point verification list and to suggest ways to include pay equity issues in forthcoming collective bargaining.

2.3 Model 3 – Seeking to correct certain discriminatory practices and eliminate the overall pay gap (France and Switzerland)

The goal of this model is to achieve equal pay for work of equal value. However, the means used and the objectives imposed on companies combine measures aimed at countering the pay gap resulting from the productivity characteristics of female workers (see section 1.1) with other, more limited measures, especially in the case of France, that target the discriminatory pay gap. This may give rise to confusion in the minds of employers who are given considerable latitude in selecting the corrective measures. Two cases will be analyzed here: Switzerland and France.

2.3.1 Switzerland - Public procurement policy of the Swiss Confederation

The principle of equal pay for men and women for work of equal value has been embedded in the Federal Constitution since 1981. The Equity Law of 1 July 1996 bans discrimination, particularly in regard to recruitment, promotion, remuneration and training. The Federal Law on Equality between Women and Men has pursued two initiatives with a view to advancing compliance with the principle of equal pay for work of equal value and encouraging organizations to respect it.

- The first initiative has consisted of the development of a gender-neutral job evaluation method, known as the ABAKABA method (Katz and Baitsch 1996). The latter has been used by a number of public and private organizations. Reference may also be made to the EVALFRI method, which is an adaptation of ABAKABA, and was commissioned by the Fribourg Conseil d'Etat for public employees.
- The second initiative, supported by the Federal Bureau for Equality, has involved the design of an instrument to verify respect of pay equity in public procurement. It is this interesting and original initiative that will be examined here under.

a) *Process*

The *Loi fédérale sur les marchés publics* requires all organizations participating in public tenders to comply with certain principles, including that of equal pay for men and women. To facilitate companies' task, a verification tool has been developed at the request of the Bureau for Equality between Women and the Commission des achats de la Confederation (Strub 2004). This instrument permits wage regression analyses by sex. Such analysis takes into account the characteristics of employees- seniority, education, work experience - and those of the jobs - requisite qualifications, occupational position.

The *requisite qualifications* variable has four dimensions:

1. Most demanding jobs
2. Skilled jobs
3. Technical skills
4. Low-skill jobs (Simple jobs)

The *occupational position* variable has five dimensions:

1. Senior manager
2. Middle manager
3. Lower manager
4. Responsible for work execution
5. Holding no management functions

Once regression has been carried out on the basis of personal variables (basic regression) and those relating to the jobs (enlarged regression), the pay structure may be considered to be free of discrimination if the ensuing pay gap does not significantly exceed 5%. The following example demonstrates this approach:

In organization X, women earn on average 25% less than men. Once allowance has been made for the lower level of experience and training of women, the gender-based wage inequity still stands at 20% (result of base regression). If consideration is also given to the fact that virtually no women are engaged in management positions or in posts with more demanding requirements, the gender wage inequity stands at only 5% (expanded regression). Despite qualifications of equal value, women are thus underrepresented in management positions in the enterprise and therefore earned 20% less. In an equal occupational position, with equal requirements and qualifications, etc, women earn (only) 3% less. The principle of equal pay for work of equal value is thus just not infringed, given the 5% tolerance margin) (Strub 2005; 4)

If, on the other hand, the gap is significantly in excess of 5%, the organization must explain the causes of this gap and possibly carry out further analyses in the form of:

Either simple indicators, such as pay differentials by gender at the same levels of training or at the same grade, or in depth indicators, such as effective occupational

experience, internal or external continuous training. Job evaluations may also be used (Strub 2005)

If no explanation has been found for the gap by the end of the process, the company must correct it. The measures to be taken in this connection are established on a case-by-case basis.

Even though the process may be efficient, this method is not based on the non-discriminatory evaluation of the jobs held predominantly by women and those jobs in which men prevail. Only two aspects are considered, namely qualifications and occupational position, and it may well be that they fail to take into account those aspects of female-dominated jobs that are frequently ignored. For example, an occupational position may potentially be discriminatory; this indicator mirrors indeed the traditional hierarchy prevalent in any company, without taking into account the responsibilities inherent in female-dominated jobs (e.g. communication and health and safety of individuals).

Aebischer and Imboden (2005; 28) note that, while this method is certainly of interest, it nonetheless has its limitations, namely:

- *It does nothing to resolve the normative issue of revaluing occupations and branches where women dominate and which are nearly always in the low wage bracket. This is an analysis that provides a blueprint of the wage policy of a given company or branch.*
- *The results calculated are not readily understandable by readers who are not versed in statistics.*
- *As with any other method, discrimination may creep in, depending on the way in which functions or spheres of activity are defined.*

b) Results

In order to test the method, a pilot project was carried out in five organizations. The pay regression analysis revealed an unexplained pay gap that was significantly in excess of 5% in two of the enterprises (enterprise A and enterprise C in the pilot test) which subsequently undertook to correct the discrimination through the following measures (Strub 2004; 46-47):

Definition of concrete objectives:

A specific target was established: to reduce the inequity in fixed wages by 13% (November 2002) and 8% (early 2004). Enterprise C

Corrections of particular cases, for example:

*Correction of the functions classification: using wage bargaining to correct function classifications where errors were identified and to further verify gender-based performance components through interviews with employees.
Enterprise A*

To examine wages in a systematic manner, together with codification regarding the level of training, occupational position and requisite qualifications, and correction of cases of particularly notable pay inequity in preparation for future wage negotiations. Enterprise C

Systematic monitoring and wage adjustments

Base pay (fixed wages) for work of equal value is monitored in a manner that takes typical gender segregation into account and is adapted with a view to wage bargaining 2003/2004 (e.g. wages of employees holding an apprenticeship diploma in the commercial sphere, as compared to technical spheres of activity) Enterprise C

Encouragement measures

Continuous training campaigns targeting particular groups of women within the enterprise. Enterprise A

The above examples highlight the limitations of this method in achieving pay equity. It does measure and correct the average gender pay gap, but this gap does not tell us whether or not the effect of the under-valuation or the under-remuneration of particular female occupations is compensated, at least in part, by an over-evaluation and higher remuneration of another female-dominated occupation in the enterprise. In other words, in correcting the average pay disparity, it is possible that lower and discriminatory remuneration may be maintained for some female occupations within the enterprise. The tolerance threshold of not more than 5% pay differential compounds this risk even further.

Thus, we also see here that despite the fact that the objective is to achieve equal pay for work of equal value, the measures used to attain it respond largely to other problems, namely that of women's unequal access to particular well-paid positions. By offering employers a broad range of choice and by providing them with policy measure that do not address direct pay discrimination, it is not possible to achieve its elimination.

Changes will be subsequently introduced to this method, based on the results of the pilot project, and before it is applied in a more systematic fashion in enterprises participating in public tenders. It is therefore premature to draw definitive conclusions regarding the results of this method.

2.3.2 France

France, like Sweden and Finland, is one of the few European Union countries to have adopted a compulsory and proactive pay equity law.

a) Process

Since 2001, two laws have been successively enacted on equal pay for men and women: the *Loi relative a l'égalité professionnelle entre les femmes et les hommes* (Occupational

Equality between men and women Act) (9 May 2001) and *Loi relative a l'égalité salariale entre les femmes et les hommes* (Pay Equity Act) (24 March 2006). The Act of 9 May 2001 requires organizations with 50 employees or more to negotiate agreements on equality at work between men and women (*égalité professionnelle*). An annual report comparing the situation of men and women in the organization must be submitted by employers and made available to works councils' members or to union representatives.

This report looks at different aspects of the characteristics of jobs held by men and women. As for pay, the report must include figures disaggregated by sex and job category (classification table) based on the following elements:

- Remuneration range
- Average monthly remuneration
- Number of women in the 10 highest-paid positions.

The first two indicators provide a general insight into pay discrimination, but, unless they are related to the value of corresponding jobs, they will not help identify pay discrimination. The third indicator illustrates how difficult it is for women to attain the highest positions, but tells us nothing about pay discrimination in jobs of equal value. In short, these three elements do not allow us to either measure the discriminatory pay gap between equal jobs or to correct it.

On 1 March 2004, the *Accord national interprofessionnel relatif a la mixite et a l'egalite professionnelle entre les hommes et les femmes* (national inter-occupational agreement on the occupational equality between men and women) was concluded by France's main employer and trade union organizations. The agreement examines various aspects of gender equality, ranging from changing attitudes (Chapter I) to pay equity (Chapter VII). On the subject of pay equity, the signatories reaffirm the importance of the principle of equal pay for work of equal value and state that:

Among the different occupations, the achievement of this objective [reducing the residual pay gap] involves an analysis, to coincide with the five yearly re-examination of classifications, of the evaluation criteria employed in defining different jobs, with a view to identifying and correcting those that may lead to discrimination between men and women, and to take into account all competences used. (Article 13.2).

The wording of article 13.2 reveals the ambiguous nature of the proposed method of examination of occupational classifications. A general re-examination of such classifications does not necessarily mean that the discriminatory aspects of the classification system will be identified. Research shows that only an examination undertaken specifically to identify sex-based pay discrimination is likely to produce a decisive outcome. According to Marry and Silvera (2005), occupational classification systems fail to take various aspects of typically female jobs into consideration, such as the competences and skills required by administrative or personal services jobs.

Similarly, article 13.2 does not specify the criteria underpinning the job evaluation, and emphasis is placed first and foremost on skills. Meanwhile, case law from the European Court of Justice and of other countries on pay equity laws, where these exist, generally indicate that four factors should be taken into account: qualifications, responsibilities, efforts, and working conditions.

One objective of the *Loi relative à l'égalité salariale entre les femmes et les hommes* (Pay Equity Act¹⁵) is to eliminate the pay gap by December 2010, primarily through collective bargaining at the level of the sector and the level of the works councils.

The definition of pay equity referred to in this legislation¹⁶ encompasses both equal work and work of equal value. The social partners are required to reach an agreement on a series of measures intended to remove the gender pay gaps by 2010 at the latest. These measures are defined in relation to both equal jobs and jobs of equal value, following an assessment of the situation based on sex disaggregated data on recruitment, promotion, vocational training, working conditions, and evolution of average pay by occupational category. The employer is required annually to submit an overview of the situation including data on the above-mentioned indicators, the measures taken during the course of the year and the measures planned for the following year for review by the works councils. The report must also include an indication of the costs of such measures.

Unless pay equity is included in collective agreements at the sectoral level, these cannot be applied to enterprises of that sector. After the mid-term assessment of the implementation of the Act in 2008, the government will be able to submit a draft bill instituting financial sanctions against non-complying employers.

At this point in time it is premature to reach any conclusion regarding the effectiveness of this law. However, it offers considerable latitude to the social partners who are required to deal with a broad range of indicators, and fails to provide any indication of priority for implementation as well as the support of specialized bodies.

b) Results

Only the effects of the Act of 2001 can be assessed at this point. An examination of the gender equity plans reveals that only 15% of collective agreements regarding occupational classifications include provisions on gender equality (Meilland 2004). A study reviewing their implementation in large organizations shows that, for the most part, action taken is confined to one or two of the three pay indicators mentioned above (ORSE 2004). As these three indicators are already too general, we may conclude that pay discrimination is not being measured in any accurate way.

A survey conducted in 2004 reveals that:

¹⁵ Act no. 2008-340- Journal Officiel no. 71, 24 March 2006.

¹⁶ Art. L140-2 of the Labour Code.

72% are establishments questioned have never carried out the specific and obligatory bargaining, as required by the Labour Code, on occupational equity objectives. It would appear that only 57% of large undertakings have done so, while many companies are not even aware of the 2001 Act (Lanquetin 2006; 631)

Another survey shows that:

The issue of occupational classifications continues to raise difficulties: only 4% of companies in the sample raise it, and draw attention to how difficult it is for actors to mobilize in this connection. (Ibid.)

Laufer and Silvera (2006) have examined 40 agreements concluded between 2001-2004, some of these within the framework of the Inter-professional Agreement. They emphasize that:

(...), is often difficult to identify strictly equivalent posts occupied by men and women (p.5)

In addition, they state that the greatest resistances relate to the question of pay. Most frequently, only the basic pay is taken into account, while other aspects of the remuneration are ignored. As rightly noted by M-T Lanquetin (2006; 632):

The matter of remuneration is, in effect, a manifestation of power and employers generally wish to retain control over remuneration through the individualisation of wages. They do not therefore wish to negotiate remuneration as a whole and opt for comparative evaluations that exclude part of the remuneration (various bonuses). It is for this reason that a number of agreements concluded since the Act of 9 May 2001 referred to the concept of basic pay or fixed pay and exclude the variable portion.

In conclusion, albeit within the legislative framework, article L140-2, subparagraph 1, of the Labour Code, clearly provides that “*For the same work or for work of equal value, employers must ensure equality of remuneration between men and women*”, the provisions of the two Acts offer scant criteria for carrying out a meaningful assessment of the situation. The low level of compliance is due to a series of factors that, in our view, include the lack of a precise methodological framework, as well as support from a specialized body.

2.4 Heterogeneity of models and pay equity policies

The analysis of the three models reviewed points to the marked heterogeneity of national policies to achieve pay equity, particularly in three main areas:

- Content of the process intended to ascertain whether pay discrimination exists.
- Definition of the reference standard to ascertain whether pay discrimination has been corrected.

-
- Level of compliance by organizations.

As for the content of the process, models were found to vary greatly, ranging from a structured, sequential and precise approach, containing the key elements for identifying pay discrimination (model 1), to another highly flexible model which leaves significant discretion to organizations, and does not incorporate all the elements necessary to determine whether pay discrimination exists (model 3). Policies also differ in the way in which the diagnosis is undertaken, how thorough it is and whether non-discriminatory tools are developed. It is interesting to note the link between the development of methodological tools and the existence of case law relating to pay discrimination, which applies for example to Canada, UK and the Netherlands.

Furthermore, the above examples show that the reference standard is sometimes imprecise. While all the policies reviewed seek to achieve equal pay for equal work or work of equal value, the reference standards by which this objective is defined continue to diverge considerably. In the first model, the desired objective is to achieve equal results and this is clearly identified through the elimination of discriminatory pay gaps between jobs of equal work and work of equal value. This same objective underpins also the second model, but the reference standards and the corresponding methodology are not precise enough. In the third model, the results sought do not include specifically the elimination of discriminatory pay gaps between jobs of equal value.

The heterogeneity of the reference standards is somewhat surprising, especially in the case of the four EU countries considered. Pursuant to directive 75/117 CE and to article 141 of the European Community Treaty to which they are subject, Sweden, UK, the Netherlands and France might be expected to have comparable approaches towards pay equity, but this is not the case.

Remarkable is also the broad margin of choice and interpretation left to the employer or to the social partners in most of the cases reviewed. The concept of equal pay for work of equal value is complex and any successful approach to achieve it requires rigorous and discrimination-free criteria. Compliance with these requirements calls for specific skills on the part of those responsible for implementing pay equity plans, which can only be acquired through in-depth training.

Training is almost never mentioned in the cases examined here. We can therefore suppose that in many of the companies covered by the surveys reviewed, such training was not provided, with detrimental effects to the content and results of pay equity plans.

As for the degree of law compliance by organizations, that, in some cases is very low, two inseparable conditions emerge as key to enhancing the impact of the law: the compulsory nature of the law, and the existence and provision of technical support by specialized bodies.

The compulsory nature of the law

The first model is the only one that produces a significant level of compliance with the law, and the two cases examined under this model take place within a compulsory regulatory framework.

The support of a specialized body

The compulsory nature of the law is not sufficient in itself to produce the intended results. If we compare the case of Quebec and Sweden with that of France, the major difference lies in that there is no specialized body in France. This factor is important because the technical assistance provided by the Equality Commissions of Sweden and Quebec contributed to the greater compliance with the law by organizations compared to France.

In the United Kingdom and the Netherlands, specialized bodies are seen to play an active and extended role, but the voluntary nature of the relevant laws weakens their impact. In Switzerland, experience is too recent to be able to draw conclusions.

This analysis leads us to conclude that current national policies must be amended if pay equity is to become a reality. The following statement made by Eyraud 1993;11) thirteen years ago remains valid today:

A considerable amount of work still needs to be done in the matter of implementation procedures, which are the Achilles' heel of a number of national legislation.

Section 3 – Cost-benefit analysis of pay equity

As stated previously, the costs and benefits of pay equity policies have not received as much attention as those relating to diversity management which had been studied by numerous authors (Cox 2001; Barrington and Troske 2001; Benschop, 2001; Centre for Strategy and Evaluation Services. 2003; Ely and Thomas 2001; Williams and O'Reilly, 1998) or equal employment opportunities (Achin, Méda et Wierink 2004; Clifton and Shepard, 2004; Hürzeler 2006; Landrieux-Kartochian 2004; Pérotin and Robinson 2000; Pérotin, Robinson and Loundes 2003).

However, as far as pay equity is concerned, there is no analytical literature specific and in-depth enough to permit an assessment of impacts and a clearer understanding of their scope and usefulness. Moreover, the few evaluations that have been conducted on the impacts of these policies are unsystematic and purely descriptive, offering no insight into the dynamics of these effects.

This situation may be explained by two factors:

- 1) Firstly it is difficult to obtain company data. Ideally, in estimating the costs and benefits of a policy, we need to compare the situation before and after introducing the policy and even track it over a number of years. This requires

full access to company data. However where anti-discrimination programs are concerned, and more particularly those aimed at tackling discrimination in pay, secrecy prevails and it is difficult to obtain the data required to make an assessment.

- 2) Secondly, it is difficult to establish in sufficiently precise terms the impact of pay equity on variables such as the quality of work, productivity of the employees receiving the pay adjustments, their turnover rate, or even the stock exchange value of the company.

3.1 Categories of costs and benefits

When considering the costs and benefits of pay equity, a distinction should be made between those connected with the formulation and implementation of pay equity measures—in other words, to the process—and those stemming from the achievement of pay equity. Such a distinction is not only helpful for analytical purposes, but also offers a clearer grasp of the costs and benefits associated with each of the three models.¹⁷

The previous section has shown that model 1 (Sweden and Quebec), namely the model that includes the evaluation of jobs as well as pay adjustments, not only encompasses a detailed and multi-dimensional process, but also focuses on achieving results. In contrast, model 2 (UK and The Netherlands) concentrates on discriminatory pay practices, while model 3 (France and Switzerland) focuses only partially on the issue of pay discrimination, but also includes measures that simultaneously address a set of different objectives.

Existing literature written on the implementation of enterprise-level pay equity measures has allowed us to identify the following categories, listed below in Table 1.

Table 1
Categories of costs and benefits of pay equity

Process	Results
Costs	
Administrative	Pay and pay adjustments Deterioration of the social climate at the workplace
Benefits	
Improvements in recruitment and selection practices	Greater economic autonomy of female workers
Focus on skills required by predominantly female jobs	Coherence between pay systems and pay practices
Perception of equity	Reputation and attractiveness
Management-labour relations	Decreased risks of prosecution

¹⁷ It should be pointed out, however, that this distinction is not always easily drawn and that some effects come under both categories.

3.2 Characteristics of costs and benefits

In order to fully understand the incidence of different costs and benefits, particularly for employers, certain factors should be taken into account, including the following:

- *The direct or indirect link* between the variables under consideration: can costs and benefits be attributed directly to the process of promoting pay equity or to the results of pay equity? The more direct the link, the more likely is the employer to take such relation into account. By way of example, pay adjustments (direct effect) may also lead to increased satisfaction at work and may, consequently, boost recipients' productivity (indirect effect). It may be difficult however, given the possible interactions with other variables, to establish a link between pay equity and related indirect effects.
- *Possibility of a monetary valuation.* A monetary calculation can readily be made of pay adjustments but less so of a company's improved public image. The easier it is to measure an impact in monetary terms, the greater its weight will be in decisions taken by employers.
- *Recurrent or lasting nature.* A cost or benefit may occur just once, for example, if fees are paid to a consultant for job evaluation training. But a cost may also be recurrent, for example, the cost of maintaining the outcomes of a pay equity exercise. Deciding whether or not the cost is recurrent is an important aspect of employers' calculations.
- *Achievement in the short, medium or long term.* Some effects are immediately apparent, while others begin to emerge only after some time has elapsed. This factor is important when, for instance, the cost arises in the short term while the benefit is obtained only in the medium or long term. In such a case, the employer may tend not to take this benefit into account.

The combination of these factors is important: the more direct the effect of implementing pay equity and the more readily it may be quantified in monetary terms, the more likely is the employer to take it into account. Meanwhile, a less tangible consequence that the employer may see only as a remote or distant effect may well be ignored.

In the following section, an analysis will be carried out for each of the above-mentioned costs and benefits. This analysis will include an explanation of their link to pay equity, together with relevant examples, and a synthesis table.

3.3 Costs linked to the process

3.3.1 Administrative costs

Link with pay equity

a. Review of human resource management systems

The three models outlined earlier are based on critical examination of human resource management practices, with a view to identifying possible discriminatory aspects. This examination may cover the work requirements and contents of jobs, pay structures and the components of the total remuneration.

Depending on the model considered, different amounts of administrative costs will be incurred. These costs cover the expenses relating to the hours worked by the staff assigned to the tasks, together with the consultants' fees and training or other materials that may be required. Model 1 involves the most comprehensive process, which includes the following elements:

- Development of a new job evaluation method and job evaluation tools
- Administration of the new job evaluation method and job evaluation tools
- Development of new job descriptions
- Reclassification of jobs following the conclusion of job evaluations
- Establishment of a statistical profile of wage distribution
- Calculation of total remuneration
- Estimation of pay gaps
- Calculation of amounts for necessary corrective measures

Time is also seen as an opportunity cost, in that the staff has less time to carry out their usual functions. Of the 29 respondents to the McDonald and Thornton survey (1998), 58% considered that the costs were high, particularly in terms of the working hours taken from other tasks.

Although it may seem otherwise, these costs can be imputed only in part to the pay equity exercise. It should be kept in mind that when a system is changed, it may trigger a recasting and formalization of many different practices, including those that are not central to pay equity. Moreover, it is in those companies where informal practices are most prevalent and where job descriptions vague, that administrative costs are likely to be highest.

b. Follow-up and maintenance

The maintenance of pay equity is a fundamental requirement that serves to ensure that new forms of discrimination do not creep in over time. The associated costs will vary in accordance with the dynamic structure of the organization, and the changes it may undergo. If an organization absorbs another organization that already has a pay equity plan, the resultant costs may be high because the two plans will have to be harmonized. Steps will also need to be taken to ensure that new instances of discrimination are not created during the merging of the two pay equity plans. On the other hand, if a new occupation is introduced into the merged company, the costs will be minimal since the existing job evaluation method will be used to assess the value of such new occupation.

c. Reports

In some countries, as in Sweden and France, organizations may be legally required to produce reports on progress made on pay equity and the results attained. The associated personnel costs should be relatively low, particularly if the activities of the committee or staff running pay equity programs have been recorded in writing.

d. Training

The implementation of pay equity requires not only technical but also sociological and legal knowledge of discrimination in pay and how it can be eliminated. Staff members who are to carry out pay equity programs must be trained. This training entails costs, including the payment of the trainers' fees, the pay of the employees involved in the training, and the necessary resources such as manuals, rental of premises and of audiovisual equipment.

f. Communication

The objectives, content and results of a pay equity plan must be brought to the attention of all employees in order to ensure their cooperation, and allow them to re-examine their positive or negative expectations about the plan itself. The costs of drawing up a communication strategy and of developing and producing training materials entail different costs ranging from personnel costs to consultants' fees, and printing and distribution costs. As rule, these costs are relatively limited, particularly if the company relies on intranet.

Illustrations

The literature reviewed does not provide information on how the administrative costs are distributed among these various items. However, what is apparent is that the first model (Sweden and Quebec, Canada) entails the highest investment in staff time. The second model (UK and the Netherlands) also incurs relatively high administrative costs. If model three (France and Switzerland) was to be implemented, the total staff time required would depend on the depth of the analysis.

The majority of the few surveys that provide a fairly comprehensive insight into the administrative costs relate to the first model. They reveal that in Ontario, for example, average administrative costs range between \$9,000 per employer for undertakings that have between 10 and 49 employees, and \$121,248 for those with 500 or more employees. These calculations yield a total cost ranging from \$88 to \$139 per employee. These costs include consultants' fees and wages paid to human resource management staff in enterprises. McDonald and Thornton (1998) note that almost three quarters of medium and large enterprises in the sample used outside consultants, causing their costs to increase.

Table 2
Administrative costs of achieving pay equity - by company size
Ontario 1992-1994

Size of company	Average administrative costs	
	Per employee	Per employer
	\$	\$
10-49 employees	139	9 000
50-99 employees	149	9 100
100-499 employees	168	35 200
500 employees and over		
- private sector	88	121 248
- public sector	173	49 380

Source: SPR 1991; Canadian Facts 1992 et 1993; Institute for Social Research, 1994.

Read (1996), referring to Ontario, states that:

(...), I learned that considerable time and money had been spent on developing gender neutral comparison systems, negotiating pay equity plans between the bargaining agent and the employer and litigating outstanding issues.

According to Neathey et al. (2005), who carried out 15 case studies in the UK among organizations that had carried out an Equal Pay Review (EPR), several organizations were unable to specify the monetary cost of the exercise. Three organizations with between 400-1000 employees had identified costs ranging between £15,000 and £40,000 sterling. On average, the time taken to carry out an EPR ranged between three and six months of work for one full-time employee. In a small number of cases, these costs were perceived as being extremely high, as stated by one of the respondents:

Very frustrated about the process, especially the time taken to do the review. Although the review took about six months, to carry out another review according to the wishes of Amicus, would take an inordinate amount of time, perhaps one FTE member of staff for twelve months. I feel that the EOC¹⁸ (and other bodies which are pushing for reviews) do not have an understanding of the complexity and difficulty of carrying out a company-wide review (p. 44)

In regards to the SME's, according to an estimate made in 2001 in Quebec, the administrative costs¹⁹ stood at \$2,635 for SMEs, and at \$12,695 for larger undertakings. Moreover, SMES were less likely to bring in outside consultants; according to McDonald and Thornton (1998), only one SME in four hired a consultant.

Read (1996) reveals that:

For some smaller private sector employers, the cost of compliance sometimes exceeded the actual adjustments made.

¹⁸ Equal Opportunities Commission

¹⁹ Including consultation expenses, software and time devoted to the task.

In contrast, JamO (2005; 21) quite rightly emphasizes that:

The complications that may occur with wage surveys hardly occurs with an enterprise with few employees. Wage surveys tend to be easy to conduct in a small enterprise.

Clearly, opinions vary in this regard. However, generally speaking, authors recognize that SMEs need considerable support from public authorities tailored to their circumstances, particularly implementation guidelines relevant to their characteristics, namely small number of jobs, multiple tasks carried out by each member of staff and absence of human resource management specialists.

Indicators

Table 3
Administrative costs: indicators and characteristics

Costs	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Paid to staff assigned to formulating and applying pay equity	% time devoted to activities x wage	Yes	Yes	No, except maintenance	Short term
Cost of materials	% use of equipment, supplies, etc. x cost	Yes	Yes	No	Short term
Consultant's costs	Consultants' fees	Yes	Yes	No	Short term
Opportunity cost: the delay in processing current cases	Overtime x wage including bonuses. Or temporary staff wages	Yes	Yes	No	Short or medium term

3.4 Benefits stemming from the process

3.4.1 The effects of recruitment and selection practices

Link with pay equity

As stated in the section on administrative costs, a critical review of certain human resource management practices is a prerequisite for drawing up a non-discriminatory pay equity plan. This review, carried out in conjunction with the evaluation of jobs, leads to a thorough understanding of the workplace. This is associated primarily with model 1 and, to a lesser degree, with model 2. Model 3 is less likely to produce such benefits, except in cases where it has given rise to a job evaluation and an in-depth review of job requirements.

Job evaluations carried out in the framework of pay equity plans require an in-depth examination that takes into account four dimensions: qualifications, responsibilities,

efforts and conditions of work. Non-discriminatory job evaluations entail a careful analysis of the content of job evaluation methods and of their application in order to ensure that those aspects of female work, that are generally overlooked, are fully taken into account. At the same time, an evaluation of male jobs also requires a rigorous analysis of their content because studies have revealed that some aspects of male jobs are counted twice, thus revealing a lack of strictness in some traditional job evaluation methods. The distribution of the various factors and sub factors among different levels of complexity, difficulty and frequency permits to assess job requirements in greater depth.

At the end of this process, personnel managers have a clearer understanding of the content of different occupations and the skills required to carry them out. Simultaneously, it becomes easier to determine the criteria for recruitment and selection and to define the type of training that is most appropriate for a given occupation: (JamO 2003 Vb). As highlighted in a Swedish case study:

Besides revealing differences in pay between male and female staff, wage surveys also provide the employers with a detailed picture of job requirements and responsibilities, as these are specified in the job evaluation process. This in turn can cause people to revise long-held opinions about the degree of difficulty in a job and can lead to a reevaluation of certain occupations. (JamO 2003b; 3)

Illustrations

When the analysis and review are conducted in a rigorous manner, organizations may reap direct benefits. Employers questioned on the impact of pay equality plans in Ontario or Quebec stated that they were led to improve their human resource management systems as a result, particularly in terms of budget allocation, since it had given them a better understanding of what their employees were doing. They further stated that this had led them to clarify or update job descriptions.

In a survey involving 27 organizations in Ontario, 67% of companies introduced major changes in their human resource management practices. For one third of them, this involved developing a new set of practices. The 18 firms that had made significant changes declared that they were very satisfied with them (McDonald and Thornton, 1998).

Table 4
Impact of pay equity on human resource management systems

	100-499 employees	50-99 employees
Positive impact	57 %	32 %
No impact	31 %	41 %
Negative impact	5 %	4 %
Does not apply at this stage	6 %	21 %
Don't know/no response	2 %	3 %

Sources: Canadian Facts (1992; 1993)

In a study carried out in the UK, Neathy et al. (2005; 44) asked employers to give their overall evaluation of the process: of the 15 persons questioned, 10 said that it was positive, 3 neutral and 2 negative. One manager with a positive opinion stated that:

Some companies are put off by the costs and don't think that it will be advantageous from a business perspective, but I think that it is worth it, very much so.

The benefits of this approach are also apparent in SME's. According to Boivin (2002; 49), when SME's gather information on jobs from incumbents, they obtain:

A better understanding of the demands connected with the job, identify problems in the configuration of particular posts and identify inconsistencies in the distribution of responsibilities.

In an economy that revolves around knowledge and competence, this is an important result because it allows human capital to be used more efficiently. This benefit becomes apparent in the medium and long term and is beneficial to the organization as a whole. A greater precision in defining the requirements and tasks of different jobs, combined with greater effectiveness in selection and recruitment practices, will result in the improved match between the profile of the selected candidates and the job requirements, thus leading to the greater retention of the new employees and their enhanced performance (see table below). These results will be significantly more important for model 1 than for the two others.

However, the above-mentioned benefits are essentially qualitative in nature and their monetary value not readily measurable. But, judging by the similarity of opinions expressed in different surveys and case studies, the likelihood that these benefits materialize is rather high.

Table 5
Effects on recruitment and selection practices:
indicators and characteristics

Benefits	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Increased effectiveness in recruitment and selection practices	Less time devoted to recruitment by relevant employees x wage	No	Yes	Yes	Medium term
Greater effectiveness of continuous training	Improved productivity and quality of work	No	Complex	Yes	Medium term
Improved rate of retention of new employees upon completion of probationary period	Subsequent reduction in recruitment and training costs.	No	Yes	Yes	Medium term

Benefits	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Improved performance by new employees	Lower level of errors by new employees and reduction in resultant material losses	No	Yes	Yes	Medium term

3.4.2 Effects on employees

a. Identification of under-valued skills of female employees

Link with pay equity

The pay equity exercise is prompted by the need to take into consideration the neglected aspects of work that are being carried out by women. An analysis of job content serves to reveal the technical aspects of their functions, together with their diversity and the aptitudes required, as well as their responsibilities that are frequently unacknowledged

Illustrations

According to a case study carried out in connection with Model 1:

The United Steelworkers of America indicated that the process of assessing the skills involved for cashiers in a modern grocery store increased awareness of the value of the knowledge and ability that women cashiers must possess not only among membership, but also among union executives. (Read 1996; 30)

These effects are also apparent to employees and colleagues who have become more aware of the demands made on, as well as the contribution made by those holding female-dominated jobs. As a result, the prejudices regarding the contribution of some female occupations within the organization are removed (McDonald and Thornton, 1998). A survey carried out in Quebec shows that the majority of trade union officials involved in the implementation of pay equity plans stated that the exercise had revealed unrecognized aspects of female work (Chicha and Saba 2006). Likewise in Ontario, (Read 1996; 16) it has been noted that:

The role of female employees in the workplace was strengthened, because the true value of their work was recognised, and they were empowered by participating in negotiating and deciding compensation issues.

She adds:

(...) for individual women involved, the increased sense of worth resulted in some women taking further training courses or investing in personal computers to improve their skills. (Read 1996; 30)

A study carried out by Hastings (2004) in the UK reveals a general trend towards acknowledging a higher value for jobs that require contact with clients or patients. The results of a survey carried out by the Institut de la Statistique du Québec (2005) show a similar tendency and indicate that, among private enterprises with 200 employees or more, the highest adjustment rate (4.4%) was recorded in the information, culture and leisure, hotel and catering sector. This sector has both the largest percentage of female-dominated jobs receiving pay adjustments (50.9%) and the highest percentage of employees receiving pay adjustments (78.9%). This is a sector dominated by the supply of services to customers. According to a survey carried out by the Canadian Federation of Independent Enterprise (2002; 7), 60.5% of SME employers say that one positive effect of pay equity is the increased value attributed to jobs providing services to individuals and clients.

It must be acknowledged that it is difficult to obtain conclusive results of increased productivity stemming from pay equity. According to McDonald and Thornton (1998), 81% of employers in their survey stated that they had not noticed any significant effect on productivity. Given the long chain of effects involved, and the fact that these benefits appear only in the long term, it is difficult to conclude definitively that they exist.

Table 6
**The identification of overlooked requirements of female jobs:
indicators and characteristics**

Benefits	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Improved quality of products and services	Fewer errors or client complaints	No	Yes	Yes	Medium term
Internal flexibility: identification of skills that can be transferred between female-dominated and male-dominated jobs	Lower recruitment costs and more rapid response to labour shortages.	No	Yes	Yes	Medium or long term

These effects are the result of greater involvement of persons in female-dominated jobs in the work organization and increased satisfaction.

b. Improved perception of organizational equity

Link with pay equity

The implementation of pay equity plans may produce a clearer understanding of what a pay policy entails and requires, and may influence employee perceptions of how equitable the organization is. As shown in the following table, approximately one third of respondents to a survey in Ontario, comprising companies employing between 100 and 499 employees, stated that they had obtained a better understanding of the pay policy. In the SME's however, this figure falls to 13%. The data available in the survey does not

permit to identify the reasons for this difference of perceptions. A better understanding of pay policies is more likely to occur when implementing the first model (Sweden and Quebec, Canada), and much less likely in the third model, particularly in the case of the procurement policies of the Swiss Confederation, which uses a statistical method that employees do not necessarily understand.

Table 7
Understanding of the pay system

	100-499 employees	50-99 employees
Positive impact	30 %	13 %
No impact	44 %	51 %
Negative impact	9 %	15 %
Does not apply at this stage	15 %	28 %
Don't know/no response	2 %	3 %

Sources: Canadian Facts (1992; 1993)

Employees' perception that they are fairly treated in relation to the pay they receive is directly linked to the degree of transparency of the pay system, and the extent to which employees understand the criteria used in fixing their pay.

Illustrations

A fuller understanding of pay policies may serve in explaining the positive effects noted in connection with pay equity, as revealed by the following table.

Table 8
Perception of equitable treatment between male-dominated and female-dominated jobs

	100-499 employees	50-99 employees
Positive impact	33 %	25 %
No impact	39 %	47 %
Negative impact	13 %	5 %
Does not apply at this stage	12 %	21 %
Don't know/no response	3 %	3 %

Sources: Canadian Facts (1992; 1993)

Other results reflect the same trend: respondents to a survey carried out in Quebec (ORHRI 2001) declared that they had noted a stronger perception of equity in the organization. A case study carried out in an organization, that had carried out a pay equity plan, mentioned corporate value of fairness, accountability and teamwork as positive outcomes stemming from the implementation of the said plan (Di Giacomo 2002; 21).

Studies have identified the link between the perceptions of equity by individuals and the level of their involvement in or commitment to the organization (DIMIA 2001; Kay 1999). The perception of greater equity at the workplace has a positive influence on the

quality of work of the employees concerned and may have positive effects also on the overall performance of the organization. This may occur, for instance, in “front-line” jobs that entail direct contact with clients, and which are frequently held mostly by women. These benefits are more likely to materialize in conjunction with model 1.

Table 9
Enhanced perception of equity: indicators and characteristics

Benefits	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Fewer complaints	Smaller percentage of time devoted to settling disputes x wages	No	Yes	Yes	Medium term
Greater satisfaction and commitment to the organization	Reduced staff turnover, absenteeism and associated costs	No	Yes	Yes	Medium term

3.5 Effects on labour relations

Link with pay equity

The process of implementing pay equity may give rise to tensions in the workplace, depending on how it is carried out. If repeated disputes arise between employer and employee representatives in connection with the various phases of the pay equity plan, the long-term effect will be negative. This risk will increase with the number of stages involved in the process.

Illustrations

Various surveys or case studies show a further benefit in the form of improved labour relations, although these results are not as conclusive as in the preceding sections. Surveys carried out between 1992 and 1994 in Ontario suggest that, in most cases, there is no effect, although positive opinions are almost on a par with the negative opinions. According to the Canadian Federation of Independent Enterprise, 53% of SME employers confirm that the effects on this front are ambivalent. According to respondents to the McDonald and Thornton (1998) survey, the process was in most cases carried out in a consensual manner that suggests that no negative effects were involved. In section 4 of this study, those variables that distinguish the positive cases from the negative cases will be considered.

Labour relations that have improved as a result of the pay equity process have positive spin-offs on the operational effectiveness of the organization. These spin-offs allow for a new approach to be initiated in response to the disputes that may arise, and also serve to avoid an accumulation of complaints.

Table 10
Effects on labour relations: indicators and characteristics

Benefits	Indicators	Dimesnions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Fewer disputes	Less time devoted to settling disputes x wages of relevant employees	No	Yes	Yes	Medium and long term
Prompter settlement of complaints or disputes	Ibid	No	Yes	Yes	Medium and long term
Prompter negotiation of collective agreement or enterprise agreements	Less time devoted to negotiation x wages of relevant employees	No	Yes	Yes	Medium and long term

These potential positive effects emanate from the harmonious relations that develop following the implementation of pay equity plans in the framework of a joint committee.

3.6 Costs associated with results

These costs are most likely to occur in relation to Model 1, when organizations carry out an evaluation and then go on to calculate and correct the wage gaps between jobs of equal value.

3.6.1 Costs of pay adjustments

Link with pay equity

The pay adjustments made in order to achieve pay equity are the most direct and obvious costs. These adjustments are intended to correct discrimination in pay, as opposed to correcting all gender pay disparities. It is important to remember that pay discrimination and average gender pay differentials are not identical.²⁰ As indicated in section 1, the average gender pay gap is the product of a series of factors that may or may not be discriminatory, such as the relative levels of educational attainments of men and women, their fields of study, career breaks, and the sector of activity or trade union density. The principle of equal pay for work of equal value is concerned only with the elimination of the portion of the gender pay gap that may be due to pay discrimination. Any confusion between average gender pay differentials and pay discrimination is liable to result in an overestimation of the monetary costs of pay equity plans.

The perception of high monetary costs is compounded by court settlements leading to high payouts, particularly in the form of retroactive pay adjustments. Although the

²⁰ As pointed out in section 1, the latter is the result of a number of factors which may or may not be discriminatory, such as differences between women and man in levels of education, fields of study, breaks in career, sector of activity, unionization rate, etc. Establishing the principle of equal pay for work of equal value only applies to the part that is attributable to pay discrimination.

adjustments may be considerable for the employees receiving them, and may stand at as much as 15% of their wage, the increase in the total wage bill is not of the same order.

Illustrations

Surveys carried out in Ontario showed that the range lies between 0.5% of the total wage bill in private sector enterprises, with anywhere between 50 and 99 employees, and 2.2% for public sector enterprises with 500 or more employees.

Table 11
Wage adjustments as a percentage of the total wage bill,
Ontario 1991-1994

Enterprise size	Total adjustments as % of total wage bill
10-49 employees	1,4
50-99 employees	0,5
100-499 employees	1,1
500 employees and over : private sector	0,6
500 employees and over : public sector	2,2

Sources: SPR 1991; Canadian Facts 1992 and 1993; Institute for Social Research 1994

It turned out that the wage adjustments were less significant than anticipated. This occurred in part because the surveys were carried out at a relatively early stage, when not all companies had yet calculated their pay adjustments. In addition, due to the methodology used, it was impossible to make the necessary calculations for some of the female jobs (Ames 1995). This problem was, however, subsequently corrected in part.

In Quebec, a survey among enterprises employing between 10 and 49 employees revealed that three out of five companies calculated the percentage increase in the total wage bill to be of 0.5% or less (CES 2002). In health, education and social services according to the President of the Quebec Treasury Board , pay equity adjustments represented 3.76% of the total wage bill (Jérôme-Forget 2006). Elsewhere in Canada, figures dating back somewhat further suggest that, in general, the percentage of the total wage bill corresponding to pay adjustments ranges between 2% and 6% (Weiner and Gunderson 1990).

Table 12
Cost of wage adjustments: indicators and characteristics

Costs	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Increase in total wage bill as a result of wage adjustments	For each female-dominated job: number of holders at each wage level x wage adjustment	Yes	Yes	Yes	Short or medium term

This increase may be spread over four years under some legislation, which would allow for the employer to amortize the rise.

Pay adjustment costs will be higher in enterprises that fall under model 1 (Sweden and Quebec, Canada) because of the obligation to eliminate pay disparities between occupations of equal value.

3.6.2 Social climate

A change in relative wages may engender tensions and produce a deterioration of the social climate at the workplace. Pay adjustments presuppose that not only the entire process has been completed, as opposed to merely conducting the job evaluation and measuring the gender pay gaps due to discrimination, but also that these differences have been corrected.

A. Inter-group tensions within the organization

Link with pay equity

Potential inter-group tensions, particularly between holders of female-dominated and male-dominated jobs, may arise as a result of two factors.

a. Fears regarding future wage increases

Some employees, including those in female-dominated jobs, may fear that, as a result of the increased equity-related expenditure, his/her employer will substantially reduce the available amount of potential wage increases for the labour force as a whole. If this were to occur, pay equity may turn into a zero sum. If this were the case, then the increased earnings of the employees in female-dominated jobs might be recouped by reducing general wage increases. This situation could arise if the employer were to maintain the same wage bill, and not allocate an additional amount for pay equity adjustments. For this reason, it is important for trade unions to separate the pay equity process from the collective bargaining process and remember that the former concerns the realization of a fundamental right, while the latter relates to industrial relations.

b. Changes in the pay hierarchy

The pay equity exercise calls into question the traditional values and standards underpinning pay, as it identifies and reward overlooked dimensions of typically female jobs. The exercise results in a change in wages paid for certain female-dominated jobs, while the wages paid for male-dominated jobs remain unchanged. This constitutes a change in the pay hierarchy, which may trigger tensions between the respective groups of employees.

It may, on occasions, have negative repercussions on particular members of the staff. Pay is indeed a central aspect of individuals' satisfaction at work, and consequently it influences their behaviour. Relative wage levels are decisive in employees' perception of justice in their organization. Individuals compare themselves with others; if they feel that their pay is not commensurate with their contribution, they will conclude that the organization is unjust and end up feeling dissatisfied.

Illustrations

Such consequences were observed for example, when the Canton of Fribourg followed the adoption of a non-discriminatory job evaluation plan. The operation caused concern among particular groups such as teachers, who considered that the increases they received were low in comparison to those given to other professions, such as policeman and inspectors (Carrel 2003). The same reaction was apparent among nurses who considered that they were unfairly treated in comparison to teachers. The intra-group comparisons in this case clearly appear to have had negative spin-offs.²¹ Such cases are far from unique, and are often caused by persons believing that the implementation of such evaluation plans was an arbitrary or manipulated operation taking into account variables other than the relative value of jobs.

Paradoxically, in some cases, dissatisfaction was experienced among female employees holding female-dominated jobs whose salaries were adjusted upwards. Although they received higher salaries, they had their jobs compared to blue-collar jobs (McDonald and Thornton 1998) and, most likely, interpreted this comparison as a devaluation of their occupational status.

Moreover, those occupying male-dominated jobs may become less motivated due to the fact that they are no longer receiving higher wages than their colleagues employed in female-dominated occupations. The cost of 'lower employee motivation' becomes apparent after the outcome is known and is difficult to quantify in monetary terms.

B. Intra-group tensions within the organization

Link with pay equity

When an organization announces that it is embarking on a plan of action to achieve pay equity, female employees' expectations regarding entitlements to pay equity adjustments may become misconstrued. Some women believe that all women working in the company will receive substantial pay increases. The percentage pay increases ensuing a pay equity exercise are determined on the basis of the distribution of wages/values of the comparator jobs, namely male-dominated jobs. Some female employees might receive substantial increases while others receive little or nothing. Experience has shown that once the pay equity exercise has been completed, it is usually less than half of the female-dominated jobs that receive pay adjustments. Those women who receive little or nothing may regard these outcomes as unfair. They may feel resentment towards those conducting the pay equity exercise as well as towards their colleagues who received substantial pay adjustments (Read 1996). This is, however, an area that is poorly documented and requires further research.

²¹ It should be noted that EVALFRI sought to create internal equity through the use of a job evaluation method free from discrimination.

Indicators

Table 13
Social climate: indicators and characteristics

Costs	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
More appeals or challenges when results have been announced	More time devoted to dealing with complaints and challenges x wage	Yes	No	No	Short term
Reduced satisfaction and commitment to the organization	Higher turnover, absenteeism and related costs	Yes	No	Yes	Medium or long term

These results are mostly associated with the first model, but as explained above, they may be observed also in the two others.

3.7 Benefits associated with the results

3.7.1 Effects on employees in female-dominated jobs

a. Greater economic autonomy of female employees

Link with pay equity

Data on the outcomes of pay equity shows that employees in female-dominated occupations receive pay increases of up to 15% or higher in some cases. Pay adjustments represent a fair, although frequently belated, recognition of the value that these women have brought to the company. Such pay increases have many implications for both the economic security and well-being of female employees, as female-dominated jobs are frequently at the lower end of the pay scale. Any pay rise thus represents a boost to the family income and a decline in the prevalence of poverty among the children of the concerned women. This is particularly relevant as women occupy a large majority of precarious jobs and, in many countries, a significant proportion of women are heads of households. Pay increases also have an impact on the amount of social benefits received by women (including pension plans), and thus contribute to the reduction of poverty among older women. Along with helping reduce poverty, pay increases also help to reduce older female employees' dependence on the State.

At the company level, improved economic security enhances the job satisfaction, motivation, and, in all likelihood, productivity of the women receiving pay increases. Higher pay also helps reducing their absenteeism and increasing the number of hours worked because it becomes easier for these women to combine work and family obligations.

Indicators

Table 14
Greater economic autonomy of female employees:
indicators and characteristics

Benefits	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Reduced financial uncertainty	Reduced stress (scales measuring stress)	No	No	Yes	Medium and long term
Greater availability on the part of female employees	Fewer hours lost as a result of family duties ; increased participation of female employees in terms of hours worked	No	No	Yes	Medium and long term

Increased economic security of women and the possibility for them of paying for childcare services, are mainly associated with model 1.

3.7.2 Coherence of the pay system

Link with pay equity

The three models considered above all include an analysis of wages by gender, with varying degrees of coverage. Only model 1 is able to equate the value of jobs and pay, and from this connection calculate the appropriate pay corrections. This system not only makes it possible to identify the various inconsistencies within the company's pay system, but also corrects them.

The pay review exercise based on a job evaluation allows organizations to subsequently adjust all wages in keeping with the new evaluation table, and thereby achieve greater consistency in the wage structure. This process is known as *internal equity*. The introduction of internal equity corresponds, in our opinion, to a mainstreaming of gender-based wage policy (Rubery, Grimshaw and Figueiredo 2005). This outcome is based on two stages. The first involves the formulation of non-discriminatory job evaluation methods and tools, as well as their application and subsequent adjustment of female job pay. The second stage entails adjusting the pay of all other jobs in the company, using the same methods and tools. This sequential approach ensures that adequate attention is given to the issue of discrimination before moving on to broader-based application. It is for this reason that equal pay specialists advise against carrying out pay equity and internal equity plans simultaneously, due to the risk of failing to correctly identify situations of gender-based discrimination.

As regards SME's, pay reviews may be hampered by either an absence of specialized staff, or by the fact that formal human resource practices may not be in place (Pérotin,

Robinson and Loundes, 2003). As Boivin (2002; 35) notes in her study of a small number of cases, the majority of companies employing between 10 and 99 employees *has no explicitly defined wage structure*.

Illustrations

One of the aforementioned Quebec surveys reveals that half of the employers who identified a positive impact had attributed it to the increased efficiency in pay practices (ORHRI 2001). The McDonald and Thornton study (1998) reports that employers expressed surprise that the process should prove so useful, while others stated that job evaluation had become the cornerstone of their wage policy. Respondents also stated that the pay equity plans had raised awareness among managers regarding internal equity issues. This notion is clearly illustrated by a study carried out by the Institut de la Statistique du Québec (2005) that indicates that 33.5% of plans in the private sector that had given rise to pay adjustments have already begun to introduce internal equity.

As for SMEs, according to a survey conducted by the Canadian Federation of Independent Enterprise (2001), contrary to their expectations, two thirds stated that the Pay Equity Act had allowed them to improve their wage rationale (CFIE 2002). Another survey concludes that one of the positive effects identified by 27% of employers (all employing between 10 and 49 employees) relates to an updating of pay policies. These comments complemented those emanating from surveys carried out in Ontario; notwithstanding the variations in percentages of positive responses between surveys, on aggregate, negative responses were infrequent.

Indicators

Table 15
Coherence of the pay policy: indicators and characteristics

Benefits	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Harmonisation of wage structure based on value of jobs	Improved management of remuneration : Savings in staff time devoted to managing the pay system More efficient distribution of the total wage bill between different jobs	No	Yes, in part	Yes	Medium and long term

These benefits stem primarily from the removal of inefficiencies in the pay system. The enterprise pays for the skills and competencies it requires and, thus, becomes more competitive. They are more important in model 1, particularly if internal equity is also achieved.

3.7.3 Effects on reputation and attractiveness

Link with pay equity

By eliminating the inconsistencies and obsolete aspects of its pay system, an organization is able to become more competitive within the labour market (Read 1996). This increased level of competitiveness can be explained by two factors.

On the one hand, improving allocation and pay practices has allowed companies to offer their potential candidates a level of remuneration based on a rational basis that can be clearly explained and identified.

On the other hand, eliminating discriminatory practices and engaging in pay equity has become a way for companies to demonstrate that they are operating in compliance with accepted social values and standards.

Illustrations

In the experience of an administrator of a large Canadian museum, the achievement of pay equity has increased the attractiveness of his organization, made it more competitive and has been able to attract qualified employees (DiGiacomo 2002). Human resource managers in a Swedish municipality likewise emphasize that pay equity had generated *both goodwill and attractive workplaces* (JamO 2003b). Attention has been drawn to the fact that the question of attractiveness is particularly important for SMEs that do not have the resources to hire abroad and must turn to the local labour market in order to fill vacancies.

Along the same lines, a recent study (Hürzeler, 2006) regarding the benefits of combining work and family emphasizes that efficient conciliation practices send a signal to potential candidates that the company has an employee-based policy, which in turn gives it a competitive edge. The same is true if it also has a pay policy that explicitly pursues pay equity.

Indicators

Table 16
Effect on reputation and attractiveness: indicators and characteristics

Benefits	Indicators	Characteristics			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Reduction in cost of recruiting qualified staff	% time devoted to seeking qualified candidates, particularly in sought-after occupations x recruiters' salary	No	Yes	Yes	Medium and long term
Reduction in the length of time particular posts remain vacant	Value of delayed production or lost contracts	No	Yes	Yes	Medium and long term

These benefits result in greater attractiveness, especially among skilled women, of an enterprise that is also seen to be adhering to good social values.

3.7.4 Reduced risk of prosecution for discrimination

The reduced risk of prosecution for discrimination constitutes a potential advantage for companies who introduce pay equity in a proactive manner and thereby avoid a series of expenses. These costs include in particular, the direct costs of prosecution for discrimination (legal costs, experts' fees, and the wages of employees assigned to working on such cases). If an employer is found guilty of pay discrimination by courts, s/he is obliged to correct the pay gaps from the date on which pay discrimination was proven. Given that such retroactive charges are subject to the payment of interest, the sums involved can become considerable.

The indirect costs of such prosecution may also be substantial: an enterprise could find its competitive position undermined, as compared to other companies in the sector who had not been subject to any cost, even if their pay practices were also discriminatory. As emphasized by an employer who carried out an equal pay review in the United Kingdom:

It was something we had to do, a Cabinet Office requirement - there was no resistance. It's good practice - why end up in court with huge legal costs for an equal pay claim when you can do an equal pay audit and hopefully address any issues - It's money well spent. (Neathey et al. 2005; 44)

Prosecution may also potentially erode a company's financial soundness and its capacity to attract investment. According to Wright et al. (1995), there is a negative relationship between a company which has had to settle a discrimination case and the performance of its shares on the stock exchange.

Lastly, the fact of abiding by the law and thereby avoiding prosecution for discrimination allows the company to preserve its public image. What is the degree of risk run by employers responsible for pay discrimination? To date, pay discrimination complaints had been infrequent and, when they have occurred, they often have involved a part of the unionized public sector. However, this trend may well increase sharply in the coming years, as stakeholders grow to better understand pay discrimination. Such a trend would be compounded by the existence of initiatives to provide information and raise awareness by trade union associations and organizations working to promote equity in the workplace (Bibby 2005).

Indicators

Table 17
Advantages of avoiding prosecution: indicators and characteristics

Benefits	Indicators	Characteristics			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Legal costs avoided	Lawyers fees % of time devoted by staff working on the case x wage	Yes	No	Yes	Short term
Penalties avoided	Retroactive wage adjustments for jobs involved in litigation and interest payments	Yes	Yes	Yes	Short term
Protection against falling share prices	% drop in share prices	No	Yes	Yes	Short term

Reducing risks of prosecution is more likely in model 1, unless the enterprise has followed the legal requirements only partially. On the opposite, risks of prosecution may be high in models 2 and 3, particularly if enterprises have only partially documented pay discrimination or when they have just measured its extent without taking the required steps to correct it.

Summary

There are two important points regarding costs and benefits that emerge from this section: the first is that these vary depending on the policy model adopted. In principle, model 1 involves the highest costs but also offers the greatest benefits. The latter arise from the coherence of the exercise that is carried out during the implementation process, allowing human resource management policies to be reviewed and rationalized. Internally, such benefits emanate from the effect on employees of a greater equity, and a new awareness by female workers of the real value of their skills. Externally, they are the product of the increased power of attraction of a company which enjoys a reputation of equity and is thereby less prone to prosecution. Employers who adopt models that are only partially focused on achieving pay equity cannot extract such benefits. They may well avoid the costs of adjustments but, as awareness increases regarding pay discrimination, they become liable to be taken to court, with potentially damaging reputational and financial consequences.

A second important point is that, costs and benefits are staggered over time and, moreover, cannot be measured with equal ease. The direct elements, which can be readily quantified in monetary terms and which occur in the short term, relate to administrative costs and to the cost of pay adjustments. On the other hand, the more important indirect benefits occur in the medium or long term, and cannot readily be quantified in monetary terms. This provides an explanation as to why employers are so reluctant to implement pay equity plans. In addition, policies such as those that aim to combine work and family are preferred. It is essential to highlight both the potential short and long-term benefits to the company of implementing pay equity. Identifying practices which allow for reducing administrative costs and increasing potential benefits to companies is also critical. Such best practices will be detailed in the following section.

Table 18
Summary of costs

Costs	Indicators	Dimensions			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Administrative costs					
Paid to staff assigned to formulating and applying pay equity	% time devoted to activities x wage	Yes	Yes	No, except maintenance	Short term
Cost of materials	% use of equipment, supplies, etc. x cost	Yes	Yes	No	Short term
Consultant's costs	Consultants' fees	Yes	Yes	No	Short term
Opportunity cost: the delay in processing current cases	Overtime x wage including bonuses. Or temporary staff wages	Yes	Yes	No	Short or medium term
Cost of wage adjustments					
Increase in total wage bill as a result of wage adjustments	For each female-dominated job : number of holders at each wage level x wage adjustment	Yes	Yes	Yes	Short or medium term
Social climate					
More appeals or challenges when results have been announced	More time devoted to dealing with complaints and challenges x wage	Yes	No	No	Short term
Reduced satisfaction and commitment to the organization	Higher turnover, absenteeism and related costs	Yes	No	Yes	Medium or long term

**Table 19
Summary of benefits**

Benefits	Indicators	Characteristics			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Effects on recruitment and selection practices					
Increased effectiveness in recruitment and selection practices	Less time devoted to recruitment by relevant employees x wage	No	Yes	Yes	Medium term
Greater effectiveness of continuous training	Improved productivity and quality of work	No	Complex	Yes	Medium term
Improved rate of retention of new employees upon completion of probationary period	Subsequent reduction in recruitment and training costs.	No	Yes	Yes	Medium term
Improved performance by new employees	Lower level of errors by new employees and reduction in resultant material losses	No	Yes	Yes	Medium term
The identification of overlooked requirements of female jobs					
Improved quality of products and services	Fewer errors or client complaints	No	Yes	Yes	Medium term
Internal flexibility: identification of skills that can be transferred between female-dominated and male-dominated jobs	Lower recruitment costs and more rapid response to labour shortages.	No	Yes	Yes	Medium or long term
Enhanced perception of equity					
Fewer complaints	Smaller percentage of time devoted to settling disputes x wages	No	Yes	Yes	Medium term
Greater satisfaction and commitment to the organization	Reduced staff turnover, absenteeism and associated costs	No	Yes	Yes	Medium term
Effects on labour relations					
Fewer disputes	Less time devoted to settling disputes x wages of relevant employees	No	Yes	Yes	Medium and long term
Prompter settlement of complaints or disputes	Ibid	No	Yes	Yes	Medium and long term

Benefits	Indicators	Characteristics			
		Direct	Monetarily quantifiable	Recurrent/ lasting nature	Short, medium or long term
Prompter negotiation of collective agreement or enterprise agreements	Less time devoted to negotiation x wages of relevant employees	No	Yes	Yes	Medium and long term
Greater economic autonomy of female employees					
Reduced financial uncertainty	Reduced stress (scales measuring stress)	No	No	Yes	Medium and long term
Greater availability on the part of female employees	Fewer hours lost as a result of family duties ; increased participation of female employees in terms of hours worked	No	No	Yes	Medium and long term
Coherence of the pay policy					
Harmonisation of wage structure based on value of jobs	Improved management of remuneration : Savings in staff time devoted to managing the pay system More efficient distribution of the total wage bill between different jobs	No	Yes, in part	Yes	Medium and long term
Effect on reputation and attractiveness					
Reduction in cost of recruiting qualified staff	% time devoted to seeking qualified candidates, particularly in sought-after occupations x recruiters' salary	No	Yes	Yes	Medium and long term
Reduction in the length of time particular posts remain vacant	Value of delayed production or lost contracts	No	Yes	Yes	Medium and long term
Advantages of avoiding prosecution					
Legal costs avoided	Lawyers fees % of time devoted by staff working on the case x wage	Yes	No	Yes	Short term
Penalties avoided	Retroactive wage adjustments for jobs involved in litigation and interest payments	Yes	Yes	Yes	Short term
Protection against falling share prices	% drop in share prices	No	Yes	Yes	Short term

Section 4 – Best practices – a precondition for obtaining net benefits

Implementing a pay equity policy into a company is a dynamic process on several fronts. Changes in pay practices need to be introduced, even if they have been in force for several years, and therefore, workers' perceptions regarding the relative value of their work become altered. As stated in the previous section, the impact of pay equity in terms of employee satisfaction and labour relations may be either positive or negative depending on the situation. The factors that influence the thrust of the impact, as well as its extent, depend primarily on the way in which pay equity is achieved. ; For example, it depends on whether or not the process is participative or not and how transparent it is. Studies have shown that some practices offer a greater likelihood of obtaining positive effects. These appropriate practices will be referred to here as *best practices*, in the sense that a general consensus exists regarding their positive influence. This is not however to imply that they can be applied indiscriminately in all companies; the context of the company in question must be taken into account in selecting the most suitable practices available.

4.1 Employee participation

A number of pay equity laws or policies encourage or require the joint participation of employee and employer representatives, either because this is a component of the national industrial relations system (works committees, for example), or because a specific mechanism is provided for in the law. This participation may be of an advisory nature or may grant employee representatives joint decision-making power with the employer. It may also take the form of a joint presence on the committee responsible for drawing up the pay equity plan or simply consist of collaboration on the task at hand.

In Sweden, the law requires that employees participate in the drafting of the pay equity plan. In the UK, the Code of Practice on Equal Pay (2003; 23) encourages employers to involve trade unions but does not make it an obligation:

Employers should (...) aim to secure the involvement of employees and, where possible, trade union representatives, when carrying out an equal pay review.

In France, the Act of 23 March 2006 holds social dialogue to a high standard within the process of achieving pay equity. Nonetheless, it is the employer that draws up the report on the different pay indicators that serves as the basis for the negotiations aimed at achieving equality.

In Quebec, all companies with 100 employees or more are required to set up a pay equity committee consisting of two thirds employee representatives, who may or not be trade union members, and of these 50% must be women. This participation is intended to counter the stereotypes about female jobs and their content.

Joint participation in pay equity matters certainly engenders costs in terms of the staff time devoted to them, but the benefits are considerable as well.

On the one hand, joint participation ensures greater adherence to the non-discrimination objectives of the exercise, since employee representatives are more familiar with the job requirements of the occupations being evaluated. Specifically, if female employees engaged in female-dominated jobs participate in the process, it is more likely that attention will be paid to those aspects of their jobs that are normally overlooked. The participation of employee representatives, and particularly women, contributes to more accurately identifying the discriminatory aspects of job evaluation and thereby to achieving more reliable results. Boivin (2002) notes that the existence of a pay equity committee has the effect of making the entire process more rigorous and more transparent, and leading more frequently to corrective action.

On the other hand, employees' participation further legitimizes both the process and its outcomes in the eyes of the company's workforce as a whole. This result is all the more apparent when their representatives participate in decision-making at various stages of the pay equity process, as it occurs through the pay equity committees set up pursuant the Quebec Act. According to Holm (2002), a Swedish pay equity specialist, if a pay system is to be considered equitable by employees it has to be formulated and developed in collaboration with them. The participation of employees in the various meetings of the pay equity process, as well as in the interviews on the job descriptions of the jobs they hold, also has a positive effect on their motivation (JamO, 2005). One study noted that the results of the process were perceived as being more equitable when workers themselves responded to the questionnaires on the requirements of their jobs, rather than when merely the supervisors or managers provided the replies (Chicha and Saba 2006).

Ostenberger (2002), responsible for implementing pay equity in the context of a pilot project in Austria, and notes that:

The intensive equal involvement in the evaluation commission also improved the good atmosphere between the company management and staff representatives.

In the same context, project leaders emphasize yet another positive effect of participation:

Consequently, a way to increase the satisfaction and motivation of employees is by including them in the development of the system: (DABA 2001a; 3).

One way of maintaining a harmonious atmosphere at the workplace is to ensure that the representatives of the two parties are not the same individuals as those who take part in the negotiation of the collective agreements; otherwise the conflictual atmosphere of the collective bargaining risks to be brought into the committee, thereby slowing down the work.

4.2 Training

It is essential to train participants on the content of the pay equity process. Training allows them to identify and eliminate the discriminatory aspects of job evaluation methods and tools and of pay systems. It is also necessary to enable them to master the

technical aspects of the process. The training provided in the context of the FABA project in Austria included the following aspects:

The objective of the training was to prepare the participants for the task of the evaluation commission. In addition, they were also to be informed about job evaluation in general, about various systems, about aspects in them that discriminate against women, and about the requirements for a discrimination-free job evaluation system. (FABA 2001; 24).

Dierx (2002), taking the Dutch experience as her basis, emphasizes the need for training in order to understand the actual requirements of female jobs. In a case study on developing a job evaluation plan at the regional government level in the UK, Hastings (2002) states that one reason for slow progress was the fact that committee members had different interpretations of the job evaluation method, resulting from their inability to comprehend the requirements of female jobs. Another obstacle was committee members' scarce experience in both job evaluation and analysis of pay structures. These shortcomings were corrected by providing the appropriate training. Lastly, drawing upon the Swedish experience, Jam O (2005) identified a direct link between familiarity with discrimination issues in pay structures and the ability to identify and correct them.

Moreover, when trade union and employer representatives receive joint training, they are able to foster cooperation by working within the same framework of reference. Hence, participation and training are closely interdependent.

Lastly, training also precludes or limits the need to bring in outside consultants, which also has a direct impact on administrative costs.

4.3 Transparency

Transparency is an issue that is frequently raised today, particularly in connection with either financial data or managers' pay. In a recent report on equality between women and men (2006), the European Commission emphasizes the importance of transparency in job and pay evaluation systems to effectively reduce the pay gap.

The need for transparency arises first and foremost with regard to the information provided by the employer to the employee representatives participating in either the process or the negotiations. In some cases, such as Quebec and Sweden, employers are mandated to provide committee members with any information they require.

As JamO (2005; 16) explains:

In order for a trade union to meaningfully participate in the work, it must thus have access to relevant information about pay or other conditions that concern an individual employee.

According to the Quebec Act:

The employer is required to disclose to pay equity committee members in information relevant to the elaboration of a pay equity program. (...). Article 29.1.

For their part, employee representatives are bound to observe confidentiality.

It is clear however, that employers are both very reluctant and uncomfortable with the idea of informing employees of wages paid to non-union members, or regarding aspects of flexible remuneration or social benefits. According to JamO (2005), the same applied to Swedish employers, who ultimately understood that their concerns were unfounded.

In cases where the operation is conducted without transparency and carried out by a small group of people, without consultation with or participation of employee representatives, discontent and suspicion may arise, as in the case described by Read (1996). The working atmosphere is seen to deteriorate, sometimes permanently, as noted by Dunlop (2003) in her case study of a Canadian state company. These case studies show how the cost of achieving pay equity may be even greater in the absence of best practices.

In the study conducted by Chicha and Saba (2006), two questions were asked in this connection: the first question regarding the scope of information provided by the employer, and the second regarding its reliability. In the former case, 71.2% of respondents stated that the information received was complete; in the second, 87.2% were of the view that the information was reliable.

It is interesting to note the statistically significant link between these figures and the perceived equity of results: when the information provided by the employer is deemed to be reliable, respondents were of the view that the results were equitable and in conformity with the law. In contrast, where information was deemed to be partial, the accompanying perception of equity and conformity with the law was negative.

As the authors emphasize:

These results clearly illustrate the link that exists between procedural justice and distributive justice. More specifically, employees' confidence in results and in their equitable nature is closely linked to the process followed. This conclusion emphasizes that it is in the best interests of employers fully to divulge the necessary information (29).

4.4 Communication

This practice should be distinguished from the previous practice in that it has nothing to do with the information provided to the joint committee members, but rather with the information made available to all employees regarding advancement of the process, the criteria used to evaluate jobs, and the *raison d'être* of job evaluation methods and their objectives. As stressed by a pay equity practitioner, poor communication involves serious risks:

A technically perfect pay equity program can become a nightmare if the trouble is not taken to explain it to all the groups involved or if differing explanations are given to different groups. (Pay Equity Guide 1989).

A process intended to change particular aspects of the pay system will inevitably raise concerns and may cause dissatisfaction and de-motivation among some workers. For this reason, it must be transparent.

For the DABO project in Austria, communication was planned in advance:

The entire project will be accompanied by corresponding marketing measures. Initial information may be conveyed to the employees by means of a notice on the bulletin board, a report in the staff newsletter, an enclosure with the pay slip, via intranet, etc. the business project will be concluded with a project presentation to the management and members of the company council. It is recommended that the company should publicize its project through press releases. (DABO 2001b; 2).

The impact of good communication can be very positive, as stated by a pay equity officer in an Austrian organization:

The members of the project groups within the company have carried out splendid information and marketing work so that the acceptance level of the project within the company was very high. (Ranftl 2002; 16).

Obviously, communication strategies involve costs, albeit generally not very important, and they assure that a good working atmosphere is established and maintained.

4.5 Specialized administrative bodies

The role of the Commissions responsible for promoting pay equity is essential in ensuring compliance with the law and reducing administrative costs. These Commissions may be specialized in nature and deal solely with pay equity, as in the case of Quebec, or may have a broader mandate on discrimination issues, as in Sweden, the UK and the Netherlands. Their contribution may take various forms:

- Publishing guides on the interpretation and application of the legislative provisions
- Developing tools and methods appropriate for particular types of organization
- Training sessions
- Oversight and verification
- Dispute settlement

In Sweden, JamO plays a highly proactive role that focuses on consultation, development and oversight. This commission has decided as a priority task to persuade employers to voluntarily comply with the law, in order to forestall the subsequent imposition of sanctions. It would appear that this approach has proved successful since, in its 2005

report, JamO states that half of the companies that had carried out pay adjustments had been monitored the year before.

As regards dispute settlements, intervention by commissions may also prevent the subsequent stages from degenerating into misunderstandings between the parties. The Quebec Pay Equity Commission has set up a conciliation service to settle complaints and disputes with the explicit goal of promoting harmonious relations between them. This initiative has proved effective thus far: in 2004-2005, 21 out of 23 new cases were settled in less than a year through conciliation, in 2005-2006, the scope of action of the conciliation service was expanded and, of 45 new cases, 23 have already been settled.²²

In terms of developing the appropriate tools, the commissions have an important role to play, particularly for the SME's. As stated by Boivin (2002; 54):

The need for simplicity in small companies does not however equate with an absence of precise guidance or guidelines. On the contrary, such enterprises often have little structure in their human resources management and thus have an even greater need than large enterprises for precise and systematic tools.

The Quebec Pay Equity Commission has produced documents specifically for their use. Similarly, JamO likewise has been prompted by the slow pace of compliance by small employers to develop a simplified, two-page form outlining the procedure to be followed in establishing pay equity.

The examples that we provide here are not exhaustive. Over the last decade, a number of countries have developed a range of tools and services, thereby reflecting their concerns regarding pay discrimination. In section 2, reference has already been made to the Dutch *10-point checklist* and to the *Equal Pay Guidance Kit* in the UK. In Switzerland, the ABAKABA evaluation method was developed in collaboration with the Federal Bureau for Equality between Women and Men (Katz and Baitsch 1996). In Belgium, the Institute for Equality between Women and Men has developed a series of modules that focus on non-discriminatory job evaluation and classification (EVA Project). The ISOS evaluation method is a joint initiative by the Commission for the Equality of Women in Spain and a number of other European countries.

It must be ensured that the number of information sources in a given country does not become excessive. When more than one national body is involved (a Commission, ministry, or other public entity), the work of company heads becomes more complex, and they may become discouraged. In addition, it is not always easy to ensure consistency between interpretations offered by various different bodies.

Lastly, if the Commissions are to carry out their functions effectively, the State must provide them with the necessary funding, thereby demonstrating a genuine political commitment (ILO 2003a). It is for this reason that, following the changes in Swedish legislation that came into force in 2001, JamO has had to invest considerable resources in

²² Data provided by the Québec Pay Equity Commission.

informing and training employer organizations and trade unions. The failure to make such investments may undermine any endeavour to give effect to the law.

4.6 Sectoral committees

The establishment of sectoral committees, composed of representatives of companies and of trade unions by economic sector, can serve to substantially reduce costs. Usually, the remit of these committees is to formulate job evaluation methods and tools that can be used by companies in a given sector. The reduction in costs is particularly visible for those SME's who do not normally have human resource managers and must therefore turn to outside consultants. The existence of sectoral committee can spare them this expense (Chicha 2000).

In Québec, the Pay Equity Act expressly provides for the possibility of establishing joint sectoral committees. These committees are intended to facilitate the implementation of pay equity within enterprises. Hence, committees have the task of developing tools and methods that are adapted to the characteristics and needs of the different sectors. Sectoral committees have been established in various sectors such as tourism, offshore fishing, manufacturing of doors and windows, and upkeep of public buildings.

Initiatives of this type have also been introduced in other parts of Canada and have produced a knock-on effect in many enterprises in those sectors (Reid 1995; Chicha 2000). According to Charest (2002), the potential advantages of these committees, beside reducing administrative costs, include the development of expertise by actors in the sector, improved labor relations and consolidating of formal human resource management structures in those sectors that are less advanced in this regard.

The development of job evaluation plans at the branch or economic sector level constitutes an interesting form of sectoral initiative. In Sweden, according to a recent report, similar initiatives are being developed. In Portugal, under the auspices of the ILO and the European Union, a pilot project was recently launched relating to non-discriminatory job evaluation by social partners in the restaurant and beverage sector (Tomei 2006).

Other less institutionalised versions may also develop, one example being Sweden's networks of practitioners representing different branches of industry (Holm and Harriman 2002). These networks make it possible to pool the knowledge acquired by different companies and to devise possible solutions, thereby facilitating the task of managers.

Section 5 – Corporate social responsibility CSR and the right to pay equity

Corporate social responsibility (CSR) is a multi-dimensional concept which takes into account, to varying degrees, the fundamental rights at work. Given the potential benefits for companies of promoting pay equity, and the importance of best practices whereby

these can be attained, is it possible to incorporate pay equity in CSR initiatives? In other words, is it possible to boost the achievement of pay equity by incorporating it in CSR objectives? This section seeks to explore this question and suggest courses of action for the future.

The whole question of CSR has come to the fore in recent years as a result of the increasing and complex interactions between companies and the socio-economic and environmental context in which they operate. According to the ILO (2006).

Corporate Social responsibility (CSR) is a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law.

According to the European Commission (2001), CSR may be defined as:

(...) the voluntary integration by enterprises of social and environmental concerns in their commercial activities and in their relations with their stakeholders.

These two mutually-complementary definitions highlight particular aspects of CSR:

- It covers a broad range of different initiatives
- It is based on taking numerous stakeholders into account: employees, government, NGOs, suppliers, etc.
- It is voluntary
- It reflects the social and environmental concerns of the societies in which companies operate
- It centres on the legal standards in force

The notion of CSR triggers some contrasting opinions. Some are very favourable and emphasize the ethical dimension that CSR seeks to instill in company operations. Meanwhile, others are highly critical and draw attention to the fact that many CSR initiatives are used principally as a screen under cover of which companies pursuing CSR programs can continue their customary practices disguised by an ethical veneer.

In theory, CSR can provide a solid foundation for combating discrimination in the workplace, including pay discrimination. The principles embodied in a number of CSR initiatives, particularly in the main international statements, refer to international labour standards and, more specifically, to the ILO's Declaration on Fundamental Principles and Rights at Work. The question we would like to consider here is therefore the following: is CSR today a way to foster the achievement of pay equity in the enterprises that embrace it? More specifically, could it be used in conjunction with national legislation to achieve the objective of Convention No. 100?

This question is of particular interest to us because we have seen in section 2 that several models fall far short of achieving the objective of pay equity. Therefore, might CSR constitute a way of bolstering a deficient application of the law (Dufourcq 2004)? In

order to answer this question, we will first consider whether, at least in principle, the CSR, as defined above, constitutes an appropriate framework for achieving pay equity. Subsequently, we will examine the way in which this goal has been pursued through CSR.

First, it is important to note that CSR covers a broad range of initiatives which may be broken down into the following categories (ILO 2003 b):

- Initiatives in the workplace (or private standards) such as codes of conduct or corporate policies. They may be formulated by companies for their own use or emanate from partnerships with other parties.
- Accreditation, certification, oversight and inspection systems. The system may be established and monitored by a company or be formulated and applied by independent bodies.
- Framework agreements, employer-trade union initiatives at international level which include a verification and follow-up procedure.
- Socially responsible investment which gives rise to particular rating methods based on specified criteria
- Evaluation or reports on company performance in relation to social responsibility.
- Management frameworks intended to help companies to achieve their CSR objectives.
- Governmental or intergovernmental initiatives, particularly by entities such as the United Nations, ILO, OECD or the European Commission.

In early 2006, the ILO database on these various initiatives contained several hundred entries.²³ Consequently, it is not possible for the purposes of this study to provide an examination of these numerous documents that is in any way exhaustive. For this reason, our analysis will be based primarily on a series of secondary sources which have addressed such issues. The field of CSR is rapidly evolving, as illustrated by recent studies (KPMG 2005; OECD 2005), and thus the review below is subject to permanent changes. Nonetheless, the main trends highlighted in our analysis remain relevant.

5.1 In theory, convergence between CSR and the right to pay equity

For the purposes of both CSR and pay equity, employers play a central role. CSR, by definition, assigns to the employer the principal role in giving effect to certain ethical objectives, particularly those of a social nature, within the company. Pay equity is likewise achieved within a company through the reform of pay systems. The influence of historical, psychosocial and economic factors on the gender pay gap is reflected in the pay systems. The responsibility for examining these and, where necessary, removing any

²³ www.ilo.org/basi

discriminatory aspects falls firstly to employers. Hence, the employer is best placed to integrate pay equity in the ethical principles of CSR.

The involvement of several stakeholders is also a common feature to both CSR and pay equity. The definition of CSR relates to stakeholders, that is, to the actors that are directly or indirectly affected by the company's decisions and operations. Where pay equity is involved, the models reviewed, for the most part, depend quite extensively on the contribution of both trade union representatives and employees (e.g. participation in joint committees, evaluation processes, training and awareness-raising activities, communication, etc.)

On the other hand, the matter of net profits is of particular interest. According to a recent survey²⁴ (KPMG 2005), 74 percent of the companies reported that their CSR initiatives are motivated by economic reasons. An OECD study (2005) shows that economic considerations are also very important in large companies from emerging markets.²⁵ A compilation of empirical studies on the link between CSR and financial performance has revealed that in 182 cases this link was positive, in 42 cases it was negative and in 82 cases it had no effect (FEDERE 2004 b). Meanwhile, we noted in section 3 that different types of net benefits may also stem from the achievement of pay equity. In both cases, profitability may emanate from compliance with ethical principles and fundamental labor rights.

Lastly, a more operational dimension which also represents a point of convergence between CSR and pay equity initiatives relates to the need to develop a corpus of best practices. These are mentioned in the abundant literature of both companies and agencies specializing in CSR, and relate in part to human resource management practices. As stated in section 4 such practices are also necessary in implementing pay equity. Moreover, some CSR and pay equity best practices are fairly similar.

This brief analysis allows us to conclude that several major parameters for implementing these two objectives coincide, partially at least. This augurs well for a synergy that could produce more extensive compliance by companies with the requirements of the right to equal pay for work of equal value.

5.2 In practice, major disparities between CSR and the right to equal pay

In practice however, pay equity still continues to be overlooked or even taboo in many CSR initiatives. Indeed not all CSR initiatives take into account the obligation not to

²⁴ The survey was done with two groups: the first consisted of the top 250 companies of the Global Fortune 500 and the second comprised the top 100 companies in 16 countries. More details on the methodology can be found on KPMG op. cit. p. 8.

²⁵ Emerging markets include a wide array of countries, such as Egypt, Morocco, Argentina, Brazil, China, India, Turkey, etc. More details are given in OECD 2005, *Corporate Responsibility Practices of Emerging Market Companies*. A fact finding study, working paper on international investment. No. 2005/3.

discriminate; amongst those that do so, only a few deals with gender discrimination, and, of these, even fewer mention the right to equal pay for work of equal value. Lastly, when pay equity is mentioned, the understanding of this right differs considerably and sometimes departs substantially from the requirements of equal pay for work of equal value. Each of these issues is discussed below.

The first point that is apparent, when examining different CSR initiatives, is their selective approach to fundamental rights. Although the definition of CSR would appear to open the way to a vast range of fundamental principles and social concerns, directly inspired by international legal instruments, reality shows that priorities depend on the type of initiatives or the initiating body. As stated by Urminsky (2001), the selective approach adopted by a number of companies' codes leads to the very unequal implementation of fundamental rights at work. When workplace initiatives emanate solely from private enterprises, it has been noted (ILO 2003 b) that less than 15% of these refer to any international labour standard. For multilateral initiatives, the percentage is much higher and reaches 50% in the case of some Conventions (i.e. Convention 87 and Convention 98). Initiatives in the area of accreditation, certification, oversight and inspection are also subject to selectivity. According to the above ILO study, these initiatives generally incorporate some international labour standards, although the importance accorded to them may be inconsistent, in particular:

When labour standards and environmental standards are taken into account simultaneously (...) the former rarely occupy a prominent position (ILO 2003b; 5).

Recent studies show that this situation may be changing. According to the preliminary results of a study conducted under the auspices of the UN and covering the first 500 top companies as ranked by Fortune:

Nearly 8 out of 10 companies responding to date²⁶ report having an explicit set of principles or management practices regarding the human rights dimensions of their operations; (...) Non-discrimination and workplace health and safety issues are included in virtually all cases (...). Economic and Social Council 2006; 9)

Three fourths of the companies said that the ILO Declarations or Conventions were their main reference on questions concerning human rights.

Looking at the situation more closely, it may be noted that when the principle of non-discrimination is included in CSR, reference to gender is limited, if it appears at all. (Grosser et Moon (2005). In some cases, CSR indicators refer only to the overall objective of promoting workforce diversity, without distinguishing between the different aspects of this diversity, including gender. Reference to the latter is limited in the Global Reporting Initiative (2002) Program which is becoming increasingly important, particularly in the context of the United Nations Global Compact. Social performance indicators include labor data disaggregated by country, type of contract, full-time or part-

²⁶ At the time of the publication of the report, 80 companies had answered the survey.

time work, but do not require any information by sex. Two indicators have a bearing on diversity and equality of opportunities: the first is a description of equal opportunity policies which omits to specify the target groups; the second, the only one which refers to gender, focuses on the sex composition of the upper management and board. Another international program, the Social Accountability 8000 Standard, which is a certification initiative based on the ISO model, includes the principle of non-discrimination but fails to specify the grounds on which discrimination is to be forbidden.

Grosser et Moon (2005) also emphasize that some CSR programs, that include gender-based performance indicators, subsequently fail to take these into account in ranking enterprises according to their social performance. Although combating gender discrimination continues to be a major concern in many companies, with gradual progress being made, we may at the same time note that, paradoxically, it is considered to be of secondary importance in major CSR initiatives.

This phenomenon is all the more apparent with reference to the right of equal pay for work of equal value which appears to rank lower in the order of priorities (ILO 2003 a). Major international instruments such as the OECD Declaration (2000) restate the content of Convention 111, namely the requirement of non-discrimination and equality in employment and in occupation on the basis of race, colour, sex or religion, among others, but make no reference to Convention No. 100 or to pay equity. Where remuneration is concerned, the most frequent references in CSR initiatives relate to the requirement that pay should comply with minimum local standards or should provide a decent standard of living. For example, the Social Accountability 8000 Standard states that pay is set in conformity with legal and industrial standards, and should allow employees to meet their basic needs. This is surprising since the Social Accountability 8000 was designed to give effect to international labor standards, specifically the ILO Conventions.

According to Grosser and Moon (2005; 331) in reference to the list of the 100 Best Companies to Work For:

Whilst scores for 'fair pay' are given for the 10 top companies, information about equal pay, and whether equal pay reviews are carried out, is not provided.

Some codes make a general reference to the principle of equal pay but are silent on the principle of equal pay for work of equal value. For example in the section of the Caux Round Table dealing with wages, we read that the intention is “to avoid discriminatory practices and guarantee equal pay and opportunity whatever a person’s gender, age, race or religion”. Others refer to indicators which are not in keeping with the objective of Convention No. 100. For example, the Observatoire sur la Responsabilité Sociétale des Entreprises (2004) suggests that the causes of wage differentials should be analyzed through indicators such as:

- the effects of structure or the presence of occupational segregation by sex;
- part-time;
- maternity leave;
- individualization of pay;

-
- occupational classification system.

The latter is broken down into two aspects:

- the fact that many female jobs are found at the lowest levels of the occupational classification tables;
- the absence of channels for advancement.

These indicators are certainly of great interest as they permit to identify the many causes of the gender pay gap, but do not serve to ascertain whether jobs of equal value receive equal pay.

Very few initiatives deal expressly with equal pay for work of equal value. One such example is the Danish Centre for Human Rights which asks whether companies have developed a method for ensuring that pay is based on objective criteria, and whether such method is applied in a non-discriminatory fashion. Calvert's Women Principles (Calvert Special Report 2004) destined to companies specifically wishing to promote women's equality also refers to the principle of equal pay for work of equal value.

The overall picture that emerges accords closely with the analysis made by Urminsky (2001):

Among the codes reviewed, code drafters tended either to create their own definitions of labour practice targets ("self-definition") and/or refer to one or more of the following sources: national law, international labour standards and industry practice. Code provisions which only used portions of ILO instruments in many cases changed the meaning or intentions of the instrument and qualified as self-definitions.

A last important point is the question of company reports on CSR that are required by the verification or monitoring bodies to which the company belongs. According to an ILO study (2003 b), the preparation of such reports has become a fairly regular practice among companies. However, an examination of the reports submitted by the 100 largest multinational enterprises in OECD countries and by the 50 largest enterprises in developing countries reveals a total absence of pay equity indicators (0%), while health and safety at work (45.5%), training (43.7%), pay (36.2%), non-discrimination and equal opportunity (30.5%) head the list of subjects covered. As a result, it is impossible to know whether pay equity is observed or not in CSR programs.

In Sweden, the Equal Opportunity Commission (JamO) conducted a survey among five companies belonging to the United Nations Global Compact with a view to ascertaining to what extent they had complied with the legal requirements regarding pay equity. The outcome reveals that the commitment to CSR principles certainly does not ensure automatic application of the principle of equal pay for work of equal value:

To begin with, none of the examined enterprises could present a complete action plan for equal pay. One enterprise informed they were changing over to a new pay

statistics system. A couple of the enterprises had an incomplete analysis of pay differentials and one had misunderstood the requirement to compare female-dominated work with non-female-dominated work, and only compared male-dominated work. One enterprise did not include all the employees in the wage surveys and analysis, and some of them did not have a cost calculation in their action plan for equal pay (JamO 2005).

Based on this analysis we are led to conclude that at the present most CSR initiatives do not contribute to filling gaps in or strengthening pay equity legislation. Indeed, in some cases, CSR initiatives tend to compound the ambiguity of national pay equity legislation, as discussed in section 2 of this study.

If the legislative framework were to be made clearer and more prescriptive, CSR initiatives could come to play a significant support role in strengthening the application of the principles of pay equity. This role would be all the more effective if it were possible to document and explain the potential benefits, together with the content, of the practices necessary to allow CSR initiatives realize their full potential.

Conclusion

Several conclusions can be drawn from this study that examines different models of promoting pay equity, and corresponding costs and benefits. Firstly, the ways in which practical effect is given to the principle of equal pay for work of equal value differ considerably by country, even when some are subject to a common framework as, for example, the members of the European Union. The causes of pay discrimination are not always fully understood and confusion still remains regarding the relative share of the wage gap that can be attributed to the productivity characteristics of female workers, or the sectors in which they work, as opposed to discrimination in pay systems. As a result, corrective measures do not always rely on the appropriate indicators, thus not necessarily leading to the elimination of the problem.

It was essential, in our view, to provide examples serving to establish the typology of national pay equity policies. To date, analyses have rarely considered the heterogeneity of policies that appear under the broad heading of policies for achieving pay equity.²⁷. However, this is essential if real benefits are to be achieved and if conditions for attaining them are to be identified.

We identified three models, illustrated by the six countries selected. The first model (Sweden, Quebec, Canada) presents the methodology that is best suited to eliminate pay discrimination. The literature evaluating the impact of this model is fairly extensive. The second model (UK and the Netherlands) is less systematic and structured, and focuses primarily on the process of attaining pay equity. Compliance with existing laws in this case is fairly limited. The third model (France and Switzerland) is based on gender pay gap indicators and a process that seek to address the different causes of such gap, including pay discrimination. One of the case studies reviewed shows that compliance with national law by companies under this model is low.

Another conclusion, which is by no means new, is that despite efforts by public authorities and trade unions, the level of companies' adherence to national pay equity legislation is very variable. Compliance with the law declines markedly when shifting from model 1 to model 2 and, then, on to model 3, as in the case of France. Switzerland has recently concluded the pilot project phase and, thus, it is too early to ascertain the degree of law enforcement.

One of the main constraints in assessing pay equity experiences is the fact that the related company reports are rarely available. Those that are available frequently contain scant or ambiguous information and do not provide a comprehensive overview of the situation.

The following aspects of pay equity implementation would seem to be problematic:

- the interpretation of the notion of equal pay for work of equal value by national legislation;

²⁷ This same consideration applies also to diversity management policies.

-
- the job evaluation methodologies developed and
 - employers' compliance with the law.

The costs and benefits of promoting pay equity relate to both the process itself and its results. Model 1 (Sweden and Quebec, Canada) is most likely to engender the highest and broadest range of both costs and benefits, and is also the most comprehensive. However, a number of benefits associated with it do not materialize in the short term and are difficult to measure in monetary terms. On the other hand, most of the potential costs of Model 1 are immediate and easily quantifiable in monetary terms. Hence, costs and benefits are different in nature and do not become apparent simultaneously. This may, in part, explain why employers are reluctant to embark on pay equity programs. However, it should be noted that, although the French approach to pay equity is in principle the least costly both in terms of process and results, it is the least widely followed by employers. These paradoxical results suggest that costs are perhaps not necessarily the most influential variable considered in the decision by employers as to whether or not to comply with legislation.

The link between pay equity programs and increased productivity is indirect and difficult to measure precisely. However, numerous surveys and case studies clearly show the positive impact of an in-depth examination and review of human resource management practices: improved management cannot but lead to a better performance of companies.

The objective of maximizing benefits and minimizing costs, other than those directly stemming from pay equity adjustments, calls for the use of a number of best practices. Their importance is confirmed by their inclusion fully or partially in some of the laws that have been reviewed. In most cases it is up to enterprises to adapt such practices bearing in mind the context within which they operate. A particularly important best practice, which is present in some of the countries reviewed, is the creation of a government commission, with sufficient funding to carry out a series of functions including information, training, supervision, dispute settlement, etc.

We also examined an approach that is increasingly widespread, namely CSR. Our analysis leads us to conclude that CSR initiatives echo and compound the ambiguity of national legislation on pay equity and thus cannot contribute to strengthening them. However, they may play an important complementary role once the legislative framework is made clearer and more precise.

The analysis contained in this report prompts us to put forward two main recommendations.

The first, based on the acknowledgment of the heterogeneity of existing approaches to pay equity, points to the need to formulate detailed guidelines for the application of Convention No. 100. These guidelines should include reference to the measures needed to both achieve equality of opportunities between men and women in pay (review of discriminatory practices), as well as equality of outcomes (elimination of discriminatory pay gaps). These guidelines should provide a job evaluation methodology that focuses on key aspects such as how to estimate the pay gaps between jobs of equal value, and how to

calculate the pay adjustments that need to be made. Guides on job evaluations free from discrimination adapted to different situations, particularly to the characteristics and needs of SME, should also be formulated. Consensus should be established with regard to the approaches and methodologies that are most likely to eliminate pay discrimination.

The second recommendation relates to the need to enact compulsory, proactive legislation. Many national experiences in the field of pay equity indicate that, if laws are to be effective, they must be compulsory, as in the case of those countries falling under Model 1. This type of laws lays out precise and detailed requirements which facilitate law application, thus ensuring optimum results. This is the course currently being considered by a number of countries, including the UK that originally had adopted a voluntary approach.

It might then be asked whether it is necessary or even useful to carry out a cost benefit analysis when laws are compulsory. The answer is affirmative; whatever the content of the law or the extent to which it may be constraining, companies will always have some latitude in the way in which they interpret it. This is particularly true of complex socio-economic laws such as those governing pay equity.

While this right is not subject to compromises, understanding the potential benefits stemming from its promotion may act as a powerful incentive for management to respect it.

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