



ONTARIO'S NEW PAY TRANSPARENCY LEGISLATION – WHAT EMPLOYERS SHOULD KNOW

February 2025

Starting July 1, 2025, employers in Ontario with more than 25 employees must provide specific pre-employment information. Following this, on January 1, 2026, new rules for job postings and pay transparency will be implemented under the Ontario Employment Standards Act, 2000 (ESA). These changes, introduced through the Working for Workers Four Act, 2024 (Bill 149) and the Working for Workers Five Act (Bill 190), create a new "Part III.1" with five rules on advertising and hiring. The amendments are similar to the pay transparency legislation introduced in British Columbia in 2023. This article summarizes the Act's contents, its implications for employers in Ontario, and considerations for compliance with the new legislation.

REQUIREMENTS FOR EMPLOYERS

Effective July 1, 2025, the employment information to be provided by employers is as follows:

- The employer's legal name and any trade or business name if different
- The employer's contact information, including address, phone number, and one or more contact names
- A general description of where the employee is expected to initially perform work
- The employee's starting wage rate (hourly, salaried, or commission-based, as applicable)
- The pay period and pay day established by the employer
- A general overview of the employee's expected initial working hours

This information must be provided to the employee in writing, prior to the employee's first day of work.

Effective January 1, 2026, the job posting requirements are as follows:

Pay Transparency

Employers are required to:

- Publish expected wage range on all publicly advertised job postings
- This does not include positions where the expected compensation exceeds \$200,000 annually (or the high end of the range exceeds \$200,000)
- Compensation ranges must not be wider than \$50,000 (for example, \$100,000 to \$150,000)

"Wages" under the ESA include all forms of monetary compensation for work. Employers must consider STIP, LTIP, etc. when determining compliance.



Artificial Intelligence (AI) Disclosure

Employers clearly state whether AI technology is used at any stage of the hiring process including screening, evaluating, or choosing applicants.

Vacancy

Job postings must clearly indicate whether the posting is for an existing vacancy or a newly created role.

Canadian Experience

Job postings must not include any requirements related to Canadian work experience. This ensures applicants from diverse backgrounds are not unfairly excluded.

Follow-Up With Interviewees

Employers must inform interviewees of the hiring decision within 45 days of the interview (or final interview if there is more than one) for publicly advertised job postings.

OUR CONSIDERATIONS

The introduction of pay transparency requirements brings in new dynamics between employers and employees. Since the employees can both access pay information from public job postings and discuss compensation with others without fear of punitive actions, it will be increasingly challenging for employers to institute or maintain pay practices that can be perceived as “unfair”.

To prepare, employers can consider the following steps:

Have a clearly defined compensation philosophy

A compensation philosophy helps align elements of compensation with business and talent strategy, setting the overall direction for how employees are paid and rewarded for their work. Guiding principles for pay decisions will be even more important in the context of pay transparency.

An example of compensation philosophy should address the following: talent market identification, target market positioning (for various levels of performance), mix of pay, flexibility, and other total rewards programs relevant to the overall employee value proposition.

Adopt a robust job architecture framework

A well-designed job architecture framework, including a job evaluation plan, provides a system for assessing the relative value of jobs to an organization, allowing for comparisons between jobs that may be very different in purpose, responsibilities, or contributions. A framework ensures fairness and consistency, the lack of which are often a source of inequity in the workplace.



In addition to pay transparency, a job architecture framework can support management in a wide range of organization-wide initiatives, including pay & benefits, talent management, succession planning, organizational design & strategy, etc. It can also help employees understand their own career paths at the organization.

Prepare compensation administration guidelines

Administration guidelines offer a framework for managing pay, guided by compensation philosophy, ensuring organization-wide strategy and philosophy are translated into individual pay decisions in a fair and consistent way, and creating a system of accountability for pay decisions.

Administration guidelines should define how a role / individual can move through the designated compensation structure considering factors such as experience, performance, evolving responsibilities, costs of living, as well as the timing and governance process.

Maintain market competitiveness

Since wage information on job postings is publicly available, employers will need to make sure that pay ranges are both internally equitable and market competitive. Outdated compensation structures will put the organization at a disadvantage in talent attraction and retention, and lead to challenges in managing current employees.

Balance disclosure and expectation setting

Salary disclosure and pay discussions create new interactions among the employer, employees, and the organization's competitors for talent. Some employers may contemplate wider salary ranges to protect their pay information from competitors, however, doing so also necessitates the management of employee expectations, as questions on how to move up in the range will certainly arise. On the other hand, narrower ranges will help with workforce management, but risk competitors gaining insights on the organization's pay practices. Employers will need to weigh the pros and cons from both sides and carefully assess the desired position on this continuum.

Conduct a fair pay risk assessment

Addressing pay inequity in the workplace is not a short-term process, employers should start by understanding potential areas of exposure, as well as strategies for mitigation before the Act becomes effective. This can include an overall review of the unadjusted pay ratio (average pay to females v. males) to understand the overall "headline" ratio but recognizing that this ratio is impacted by differences in employee representation at different levels in the organization v. differences in pay. Adjustments can then be made to account for roles, location, performance and other factors that drive differences in pay to determine if legitimate pay gaps exist on an adjusted basis. Different analyses can help to flag potential risks on a proactive basis including "heat maps" by employee level and function, comparisons of actual pay across demographics and more complicated regression formulae.



Train managers on compensation discussions

People managers will need to be better prepared to communicate pay decisions to employees and defend these decisions. Where feasible, an internal communications “playbook” with frequently asked questions can support the managers in having these difficult conversations. Here are some sample questions to consider:

- How is my salary determined?
- What is a salary range?
- Why am I paid lower than the others?

Lastly, employees’ questions may evolve as new and different job postings are published over time, underscoring the need for a systematic framework to compensation administration & communication, in favour of an ad hoc approach.

While there has been a lot of discussion and debate on the effectiveness of pay transparency legislation, Ontario’s Pay Legislation signifies an important step towards greater transparency at the workplace to help reduce inequity in the workplace. We will continue to monitor any information released regarding the Act and provide any updates as soon as it becomes available.

ABOUT US

Southlea Group is a national independent compensation consulting firm that provides global perspectives as a GECN Group company working with over 150 compensation professionals in fifteen countries. We are headquartered in Toronto with offices in Montreal and Vancouver and clients across Canada, representing all industries and organization structures. Our team of advisors is multi-disciplined with diverse backgrounds and experiences. We are proud to be a certified Women’s Business Enterprise by WBE Canada and to be Rainbow Registered as an LGBT+ friendly organization.

We would be pleased to address any questions and/or explore how we can support your challenging compensation needs. Please email us at hello@southlea.com and we will follow up to set-up a time to discuss further.