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Certified Equality

The Icelandic Equal Pay Standard

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Preface

This report presents the results from eight interviews with key informants in government, businesses and trade unions in Iceland, conducted as part of the *Review of the Equal Pay Standard in Iceland* project, which was funded by the Norwegian Ministry for Children and Equality and headed by Anne Skevik Grødem. The most important sources in the project are policy documents and in-depth semi-structured interviews with key informants. The main objective of the project was to review what the standard entails and which positive and negative consequences it has had. An important part of the project was also to discuss the Icelandic standard in comparison to measures that have been proposed in Norway to promote equal pay, the results of which are published in the ISF report *Sertifisert likestilling: Likelønnsstandarden på Island*. The project is also part of CORE – Centre for Research on Gender Equality at the Norwegian Institute for Social Research. I am grateful for the constructive comments from Anne Skevik Grødem, Mari Teigen, Kjersti Misje Østbakken, Guðbjörg Linda Rafnsdóttir and Christina Stoltenberg.

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Summary

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The Icelandic Equal Pay Standard

Summary In 2018, Iceland introduced a statutory certification process for companies and institutions with over 25 employees, which, through this process, must prove that they pay men and women the same for the same job. This mechanism moves the burden of proof from employee to employer and forces companies to develop a more transparent system for the way they value different jobs. The purpose of the certification process is to close the relatively small but sustained wage gap between the genders. Based on qualitative in-depth interviews with key government informants, social partners and HR leaders in Iceland, this report takes an initial look at how the Icelandic Equal Pay Standard was established and how it works in practice. The findings show that the Icelandic Equal Pay Standard moves focus from individual explanations of why women earn less than men, to establishing a supportive institutional environment for equal pay between the genders at the corporate level. «Supportive» means public support, but also a transparent environment in which cases of inequality cannot remain unknown or hidden.

Keywords Equal Pay, Iceland, Gender, Labour Relations

Introduction

Iceland has been praised for its equality between men and women. According to the World Economic Forum's *Global Gender Gap* rankings, since 2009, Iceland is the country that is closest to gender equality in its society and economy¹. Recently, it also became the world's first nation to make equal pay mandatory for companies and institutions with more than 25 employees (on a full-time yearly basis). Companies and institutions of that size have to prove that they pay men and women equally for the same job by obtaining certification for their equal pay system. In Iceland it has been illegal to discriminate between men and women doing the same work since 1961. However, the bill of law passed in 2017 by the Icelandic Parliament (*Alþingi*) (amending the previous Gender Equality Act No. 10/2008), and implemented only at the beginning of 2018, makes an important contribution. It shifts the burden of proof from the employee to the employer, and therefore forces companies to create a more transparent system of how they value different jobs. According to the law, employers have to go through a mandatory external certification process that checks whether their salary system pays equally for the same job.

The main goal of the standard is to create a system that could confirm that “women and men, working for the same employer, were paid equal wages and enjoyed equal terms of employment for the same jobs or jobs of equal value, unless such differences can be justified by relevant considerations” (IST 85). In practice, this means that the company has to implement a transparent pay system. This implementation should also increase general job satisfaction and make managers more aware of issues regarding pay in relation to gender or minorities. The end result of this should be a more transparent and just pay system. Even though the Equal Pay Standard was initially designed to be a voluntary measure, the act now applies to about 1,180 employers and 147,000 employees, which represents about 80% of those who are active on the labour market (Ministry of Welfare, 2018). The largest workplaces (with 250 or more employees) have until 31 December 2018 to obtain their certification, whereas smaller workplaces will have more time to comply with the new legislation (e.g., those with 25–89 employees have until 31 December 2021).

1 http://www3.weforum.org/docs/WEF_GGGR_2017.pdf

The Equal Pay Standard builds on a long history of gender equality legislation in Iceland, but is also a reaction to the persistence of the gap despite regulatory efforts. This invoked concerns that even strictly worded legislation on equal pay would not be able to close the gender pay gap in the labour market. A recent survey from Statistics Iceland (Snævarr, 2015 quoted in Olafsson, 2017) showed, for example, that the unexplained gender pay gap stood at 5.7% in 2013. This figure represents the difference between men and women who are very similar in terms of labour market characteristics. The unexplained pay gap is, therefore, the gender difference in pay that can be attributed to discrimination against women. Top level and intermediate managers are mostly men (Rafnsdóttir, Axelsdóttir, Diðriksdóttir and Einarsdóttir, 2015; Rafnsdóttir, Einarsdóttir and Snorrason, 2014), and the pay gap is especially persistent for working mothers and women in female-dominated fields². With the new law in effect, the Icelandic government aims to close the unexplained gender gap entirely by 2022.

Based on eight qualitative in-depth, semi-structured interviews with key informants comprised of government officials, social partners, and human resource managers in Iceland, this report takes a closer, but still preliminary, look at how the Equal Pay Standard came about and how it has worked in practice so far. First, women's pay and participation in the labour market will be described. Second, it will explain how the Equal Pay Management System was created and implemented into law. Third, it will discuss how some companies have experienced the implementation of the law and the certification process. Fourth, it will discuss the findings and then conclude.

² <https://www.statice.is/publications/news-archive/wages-and-income/unadjusted-gpg-2015/>

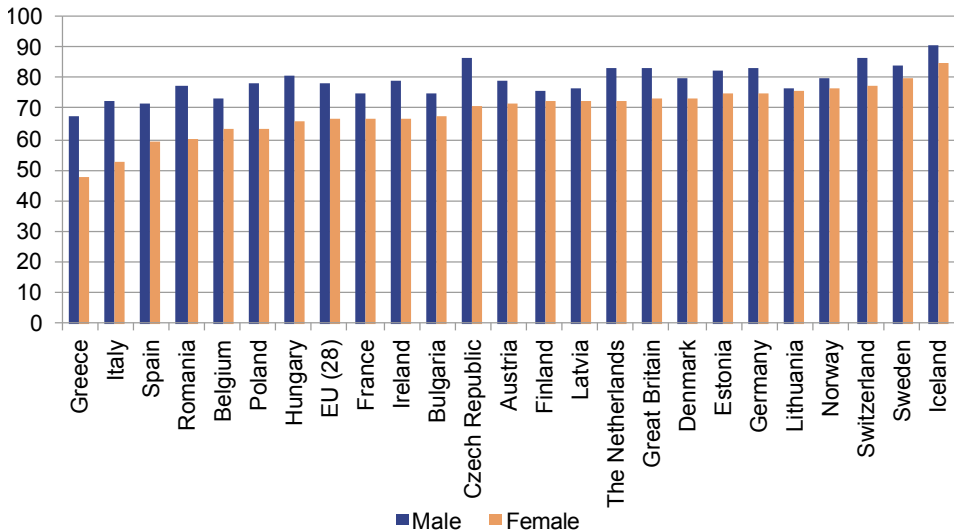
Gender and Working Life in Iceland

Iceland's population of 337,000 yields a comparatively small labour market, with around 200,200 employed in 2018³. The main characteristics of the Icelandic labour market are a high level of union density, high labour force participation rate, long working hours, low incidence of part-time employment, and late retirement (Ólafsdóttir and Ólafsson, 2014). The Icelandic labour movement has a high level of organisation and also a high level of centralisation in confederations, with a great capacity for cooperation and coordination. In most cases collective bargaining takes place between the Icelandic Confederation of Labour (ASÍ) and Business Iceland (SA). Bargaining rights, however, are held by individual unions (Ólafsdóttir and Ólafsson, 2014).

Iceland shares its welfare model and approach to gender equality with the other Nordic countries, in the sense that the state facilitates the combining of caring responsibilities with paid employment (Heijstra, Connor and Rafnsdóttir, 2013; Rafnsdóttir and Júlíusdóttir, 2018). This institutional setting puts Iceland at the forefront of political empowerment and educational attainment and in the top ten in women's economic participation and opportunity (World Economic Forum, 2016). Figure 1, which shows the employment rates among women and men in a selection of European countries, confirms this: women in Iceland have very high occupational participation.

3 <https://www.statice.is/publications/publication-detail?id=59844>.

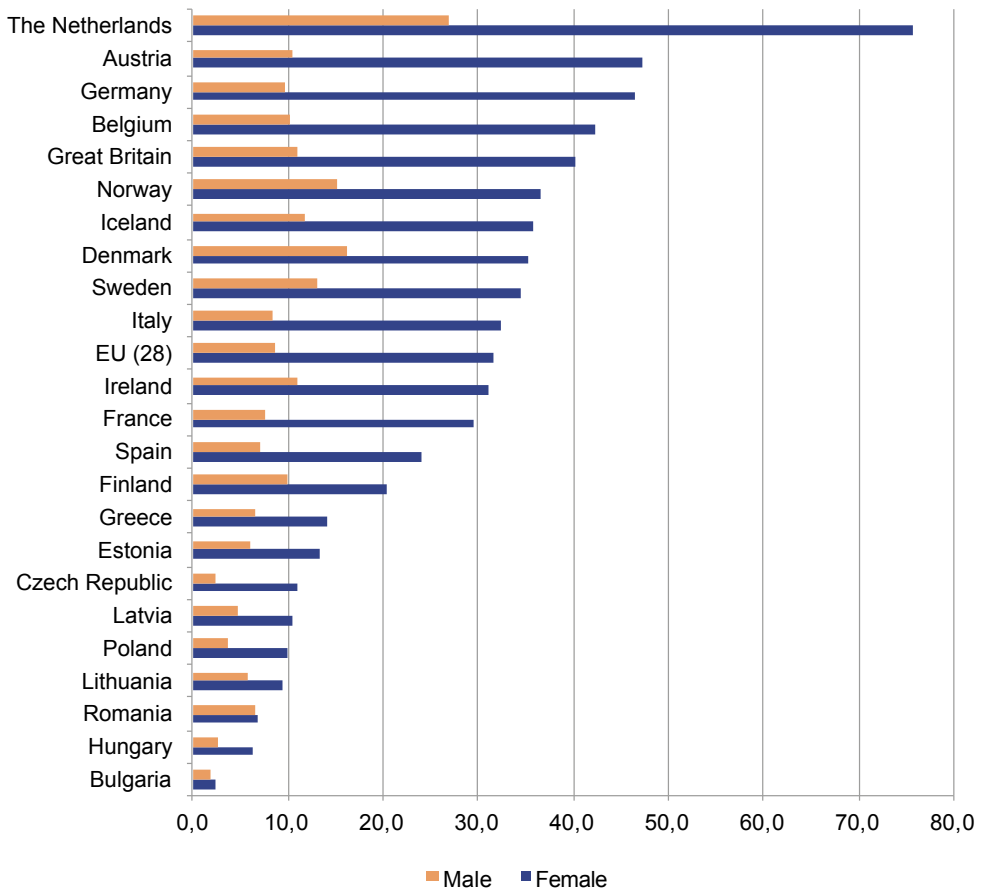
**Figure 1. Employment among women and men, 20–64 years, 2017.
Selected countries in Europe.**



Source: Eurostat 2018.

Figure 1 shows that 85 percent of Icelandic women are in paid employment, higher than in any other European country. Also, Icelandic men have a higher employment rate than men in other European countries; a total of 91 percent of Icelandic men are in paid employment. This means that although Icelandic women are very often in work, the distance between the employment rate for women and men is similar to that in many other countries. In Norway, the corresponding figures are 76 and 80 percent, respectively. The employment level in Norway is therefore high, but still slightly lower than in Iceland. By comparison, 48 and 53 percent of women in Greece and Italy are in paid employment respectively, and 67 percent of women in the EU (28 countries) as a whole.

Figure 2. Part-time work as a proportion of all employed. Women and Men, 15–60 years, 2017. Selected countries in Europe.

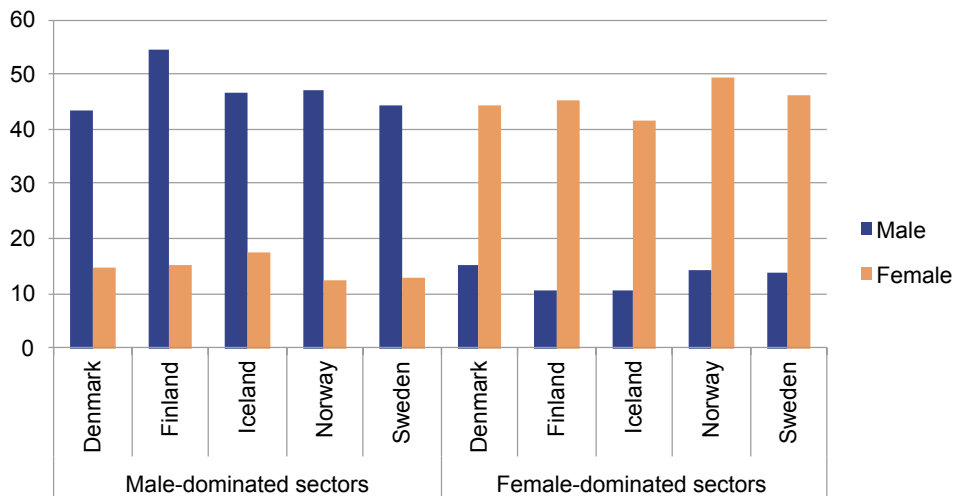


Source: Eurostat 2018.

The Nordic countries rank highly in international employment-level overviews. Two other indicators help to nuance this: gender segregation in the labour market and the high proportion of part-time workers. Figure 2 shows the proportion of part-time work among men and women in a selection of European countries. The Netherlands stands out with a very high proportion of part-time work: 76 percent of the country's employed women work part-time. This is also the only country in Europe where the proportion of part-time men is higher than 20 percent (27 percent). The proportion of part-time work in Norway and Iceland is relatively similar: 37 and 36 percent for women, and 15 and 12 percent for men, respectively. The gender balance in the labour market is also a key issue in the discussion of equal pay in the Nordic countries. Figure 3 shows

the proportion of women and men in female-dominated and male-dominated industries in five Nordic countries in 2016.

Figure 3. Proportion of women and men in female-dominated / male-dominated industries. All employed, Norden, 2015.

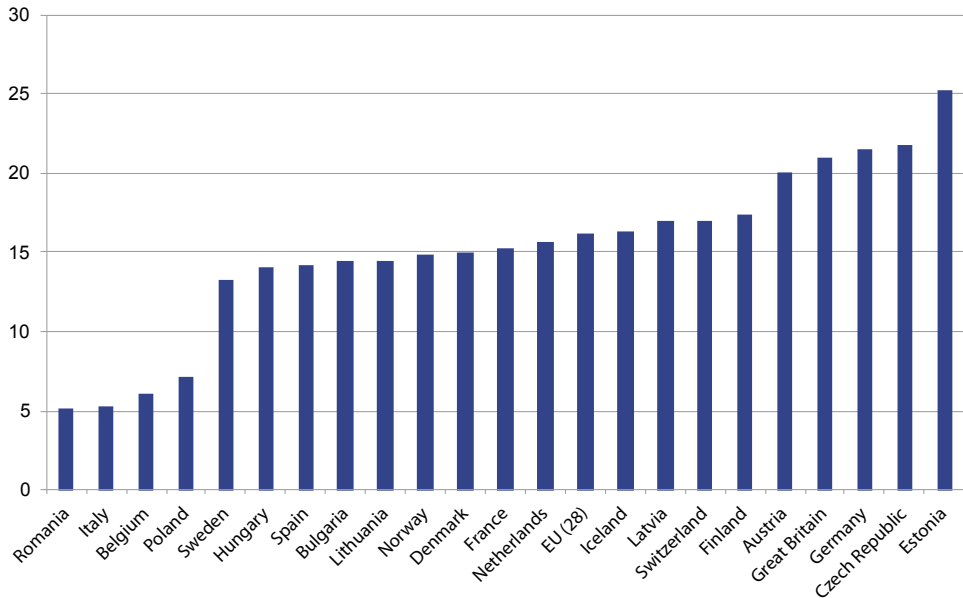


Source: Nordic Council of Ministers 2016.

Male-dominated sectors include primary industries, mining, electricity generation, water, renovation, construction, warehousing, transportation, IT and telecommunications. Female-dominated sectors include education, health care services and other services. In Norway, 47 percent of employed men work in male-dominated sectors, while only 14 percent work in female-dominated sectors. The remaining 39 percent work in industries that are neither male- nor female-dominated. Among women, 50 percent work in female-dominated sectors and 13 percent in male-dominated sectors. The situation in Iceland is relatively similar: 46 percent of men work in male-dominated sectors and 11 percent in female-dominated sectors. Meanwhile, 42 percent of women work in female-dominated sectors and 18 percent in male-dominated. The proportion of women in male-dominated occupations is higher in Iceland than in the other Nordic countries, but in Iceland the labour market is still highly gender-divided. The high proportion of women working part-time and the highly gender-divided labour market are perceived as the two main barriers to equal pay. Considering that women’s participation in working life is slightly higher in Iceland than in Norway, the proportion of part-time employees is a little lower, and that the labour market is more gender-balanced, one would think that the gender pay gap was also slightly lower in Iceland. However, that is not the case, as shown by

current statistics. Figure 4 shows how much lower women's average hourly wage is than men in a variety of European countries.⁴

Figure 4. Difference between women and men's average hourly wage. Unadjusted. All employed, 2016. Selected countries in Europe.



Source: Eurostat 2016.

In Norway in 2016, employed women earned an average of 14.9 percent less than employed men per hour. The figures are not adjusted for differences in working hours (full-time/part-time) or industry. In Iceland, women earned an average of 16.3 percent less per hour. The wage gap between women and men is thus a bit larger in Iceland than it is in Norway. A curiosity in this context is that the wage gap in Iceland is slightly higher than in the EU area in general, while in Norway it is slightly lower (the average for the EU is 16.2 percent).

⁴ The data from Eurostat is based on a European survey 'the Structure of Earnings Survey'.

Data and Methods

The analysis in this report draws on eight in-depth interviews with key informants in government, business associations, trade unions, and human resource management departments in Iceland and international management standards experts conducted as part of the *Review of the Equal Pay Standard in Iceland* project, which was funded by the Norwegian Ministry for Children and Equality and headed by Anne Skevik Grødem. The main objective of the project was to review what the standard entails and which positive and negative consequences it has had. An important part of the project was also to discuss the Icelandic standard in comparison to measures that have been proposed in Norway to promote equal pay. The most important sources for the project are policy documents and in-depth semi-structured interviews with key informants. In the semi-structured interviews, the interviewer had a checklist of topic areas or questions but the intention was to urge the informants to talk in their own terms, allowing for a range of possible responses. This approach is useful when the informants are diverse actors and when the issue area is relatively unexplored. In this report, the qualitative interviews were analysed using qualitative analysis coding tools. Five informants were involved in designing the standard, while three informants had experiences with implementing the standard. The sample consisted of five women and three men. The interviews were recorded, transcribed and analysed by the interviewer. They lasted about one to two hours and were conducted either at the interviewees' office or via telephone. The questions focused on the interviewees' experiences with developing and implementing the standard. The interviewees were asked about their viewpoints and thoughts about the standard, the way it came about, how it is working on the ground, its effectiveness and whether it can contribute to closing the gender pay gap. The interviews were conducted only one month after the law became mandatory. Although most interviewees had already been involved in the design and implementation for years, the interviews are not able to reflect on the long-term impact and pros and cons of the mandatory standard. Moreover, the interviews with representatives from the HR departments of companies and institutions that implemented the standard are already representative of large organisations that have a well-staffed human resource department and experience with the implementation of other management standards. This is interesting in terms of being able to compare experiences with the Equal Pay Standard with experiences with

other management standards, but it does not consider how smaller companies with no dedicated human resource department or without such previous experiences will experience the implementation of the Equal Pay Standard.

The Equal Pay Management System

Years in the Making

The bill of the so-called Equal Pay Standard, a short form of the more technical ‘ÍST Standard 85: 2012 - Equal Pay Management System’, was introduced to the Icelandic Parliament by Þorsteinn Viglundsson, the Minister of Social Affairs and Equality, in 2017. The Equal Pay Standard existed before as a voluntary measure mostly used by large companies as part of their marketing strategy. The overall concept has been in preparation since 2008 and was initiated by the social partners the Icelandic Confederation of Labour, ASÍ and SA–Business Iceland. Þorsteinn Viglundsson, who was also the Managing Director of SA–Business Iceland from 2013 to 2016, said, ‘the trade unions proposed that we should develop some kind of equal pay mechanism, which quickly developed into the methodology of an international management standard. And that was in development between 2008 and 2012’ (Interview, 2018). Equal pay has always been a regular part of the collective agreement negotiations, but in 2007 the negotiations coincided with the parliamentary revision of the Equal Pay Act, planned to be undertaken after fifty years in effect. Even though the country was about to celebrate this anniversary, the wage gap between the genders persisted, causing the social partners to look for alternative ways to enhance equality.

Their aim was to create a bottom-up alternative, with a toolkit for companies to use to check whether they were discriminating or whether they had some bias (Interview, SA, 2018). Accordingly, the trade union and the employers’ association signed the collective agreement in February 2008 with a specific mention of the aim to develop a certification system, in one form or another, that both parties could agree on. This coincided with the financial collapse on the 8th and 9th of October 2008. Following the onset of the recession, Iceland’s policy changed from a focus on adopting the Anglo-Saxon neoliberalism of the 2000s to emphasizing equality along the lines of the Nordic welfare state (Ólafsdóttir and Ólafsson, 2014). From then on, the trade union and the employers’ association cooperated closely with the Ministry of Welfare in order to design a mechanism that can contribute to closing the gender pay gap. The tripartite coalition shared the costs of the development, with the Ministry of Welfare

contributing ISK 5 million and the trade union and the employers' association both contributing ISK 2,5 million (Interview, Trade Union Representative, 2018). Even though the social partners do have a strong institutional voice in the Icelandic labour market, the cooperation with the state was important because it represented the public employees, whereas ASI and SA mainly represent the private sector (Interview, Trade Union Representative, 2018).

The development of the standard took four years, from 2008 to 2012, with over 100 or more official meetings of the working group as well as countless unofficial meetings. One of the biggest challenges was to find and agree on a mechanism for determining how to value work (Interview, Trade Union Representative, 2018). A representative from SA–Business Iceland, one of the people who helped draft the Equal Pay Standard, explains that ‘we looked at the model of other international standards like environmental standards, management standards and quality standards and we used that framework to develop the Equal Pay Standard’ (Interview, Business Iceland Representative, 2018). In fact, the Equal Pay Standard uses the environmental management standard as a model in how it has been designed, as can be seen in the similarity in its headings.

Icelandic Standards (IST) agreed to supervise the project and a Technical Committee (TC)⁵ was established. According to ASI, Icelandic Standards was the best-qualified body to support the design of the standard because they could act as ‘a neutral zone, and they have experiences with other management systems, like ISO standards on the environment or ISO standards on security’ (Interview, Trade Union Representative, 2018). However, it is important to note that this was also the first time for Icelandic Standards to develop a management standard to evaluate equal pay. After the standard was developed in 2012, the Ministry of Welfare appointed the Action Group on Equal Pay to continue the work that started in the technical committee. The main objective of appointing this committee was to put forward a pilot project. Institutions and companies or workplaces in the private labour market were invited to take part in this pilot project over a period of 2–3 years to test the standard and to see whether it was flexible enough, and whether the level of complexity and burden was as low as possible. The pilot project was completed in 2015 and the Equal Pay Standard became available to be used by companies on a voluntary basis.

5 The technical committee included the sponsors of the project, as well as representatives of the Centre for Gender Equality, the Ministry of Finance, the Federation of State and Municipal Employees, the Association of Academics, The Icelandic Association of Women Entrepreneurs, the Association of Local Authorities in Iceland, as well as a couple of private companies.

From Voluntary to Mandatory

In 2016 the parliamentary elections changed the path of the Equal Pay Standard significantly. In the run up to the elections, the newly formed Reform Party⁶ made gender equality the number one issue in their campaign agenda and pledged to make the Equal Pay Standard mandatory if they became part of the new government. Interestingly, at that moment in time, Þorsteinn Viglundsson decided to change career paths from being the head of SA and therefore intimately familiar with the Equal Pay Standard, to embarking on a political career as member of the Reform Party. In an unexpected turn of events, the Reform Party became the third largest party and part of the 2017 coalition government. In Iceland, it is customary that the Minister of Welfare expands its official title with the issue that the person wants to champion during office. In accordance, this newly-formed government was the first one to create the position of the Minister of Social Affairs and Equality with Viglundsson becoming the first Minister of Welfare and Equality.

Viglundsson became a key driver in legislating the voluntary Equal Pay Standard and made it mandatory for all businesses of a certain size. This was an unexpected development, but it is not uncommon for such standards to be formally incorporated into legislative texts. There are a multitude of voluntary standards that are indicated in specific bills, for example, health and safety standards for the use of medical devices or environmental standards (Interview with management standard expert, 2018; to see how the standard was transposed into law see Regulation No. 1030 of 13 November 2017).⁷

This created a dilemma for both social partners. ASI and SA had contributed to the development of the Equal Pay Standard for years, investing substantial financial and human resources into its design on the condition that it was supposed to be, and remain, a voluntary measure. The most obvious sign of this is that it is a management standard, which are inherently designed to be voluntary. For the employers' association, the precondition for participation in the tripartite coalition was that the standard would remain a flexible, non-burdensome and voluntary measure (Interview, Business Iceland Representative, 2018). The trade union was in an odd position because even though it fully supported the Equal Pay Standard, the newly appointed Minister of Welfare and Equality was the former director general of the employers' association, sparking concerns over his motives (Interview, Trade Union Representative, 2018). Another point of contention was the issue of how the Equal Pay Standard would interact or

6 The party is in the middle or centre-right of the political spectrum, pro free-market and pro-European.

7 https://www.government.is/library/04-Legislation/Regulation_CertificatinOfEqualPaySystems_25012018.pdf

could be combined with collective bargaining. During the design of the standard, this issue was never a point of discussion. However, because the public support was so substantial, and precisely because of their intensive previous involvement, it was difficult to oppose or even publicly voice criticism to an idea that is considered by a large proportion of the population, as well as by the partners involved, to be favourable for equality between men and women.

Evolution/Timeline of the Equal Pay Standard

- 2008
 - Collective Agreement pledges to develop voluntary certification
 - Tripartite coalition starts work on developing certification
 - Standards Iceland is asked to advise on the development of the standard
 - Technical Committee appointed who establishes working group
 - Working Group is responsible for drafting the text of the standard with the aid of experts in selected fields
- 2012: Action Group is formed
- 2013: Pilot project starts
- 2015: First institution gets certified and pilot project ends
- 2016: New parliamentary elections
- 2017: New government is formed; bill passes making the Equal Pay Standard mandatory
- 2018: Law is implemented

Work of Equal Value: Implementation and Certification

One of the biggest challenges Icelandic companies and institutions face in the implementation of the standard is defining which jobs are of the same value. In other words, the law is not aimed at pay differentials between women and men who have jobs of different value. There is flexibility in payroll policy and in the job evaluation system the company or institution can employ, but any payroll system must meet the standard criteria. It must be documented and transparent in order to be reviewed by an independent body. A company can implement a payroll system that is 100 percent performance-based, but then it will have to show how the job criteria are defined and weighted and that formal performance assessments are satisfactorily completed. Former Minister of Welfare and Equality Viglundsson said that an important reason why it was so difficult to close the wage gap was the lack of guidelines within the companies to provide sufficient time to assess and review how wages are determined. He explains that,

the standard forces you to show more responsibility . . . There's still complete flexibility in what kind of a pay system you want to use. This isn't a uniform pay system. It's not in any way a one-size-fits-all solution but is simply the demand that everyone should be paid equally. You can, in that sense, discriminate in pay. You just have to have some reasons. You need to be able to prove that you are paying in accordance with your pay system, at this point, in the end this is what the standard is really requiring. (Interview, Viglundsson, 2018).

Figure 5. The certification process. From IST 85: 2012

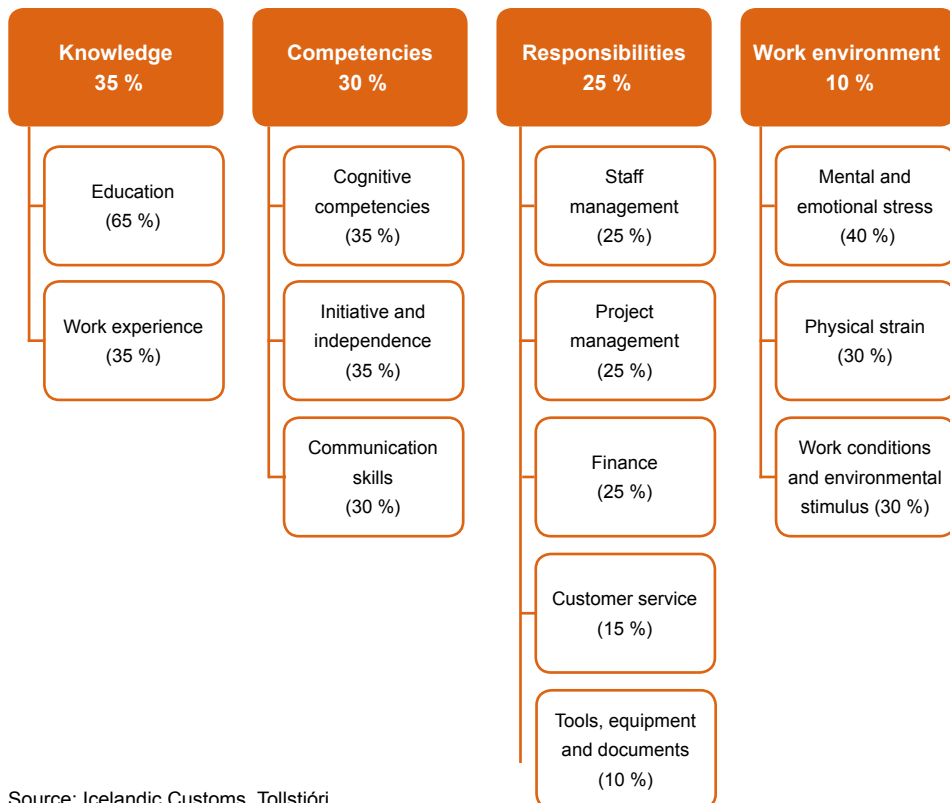


Figure 5 shows the steps of the certification process. The *Wheel* involves a relatively typical process of maintenance and the continuous development of an established system, with planning, implementation, evaluation and the opportunity for improvement (further development). The greatest work in most businesses is done in the two points at the entrance of the wheel: assessment and equity policy. The first step businesses need to take is to define their own equity pay policy. The next step is to carry out a job evaluation for all its employees. This may have already been done or companies may choose to rethink their current job evaluation system, but they would have to justify their approach to the certification body. As a first step, a company must consider every task performed within it, regardless of the employee actually doing the job. Therefore, the company must have a formal system for how employees are rewarded for individual attributes such as achievement or education. For example, when an individual's salary terms are determined, for example, the employee's employment time will be recorded by the company. In principle, other elements may also be important, such as the market situation. Given a situation where a business requires a software engineer but a suitable one is not available on the market, it will be possible to design a system that gives this position a far higher value than others. Put another way: The standard is flexible with regard to how companies and institutions design their payroll systems. By forcing companies to work out a more formalised system for their pay decisions, the standard is intended to make pay, and any differences in pay for similar work, more transparent. The method by which the business designs this system is one hundred

percent is flexible, as long as they meet the requirements of the accreditation bodies for transparency, consistency and gender-neutral reasons.

The standard highlights four main criteria (IST 85: 2012, Annex B): expertise, responsibility, effort and work environment. These are to be given content, and sub-criteria must be formulated and weighted in ways that make sense in each business. Figure 2 gives an example of possible criteria and the weighting of these. This is an example from a single, relatively large business. Other businesses may have different (under) criteria and different weighting of the various criteria. It appears from the figure that the company in question has replaced ‘effort’ with ‘competencies’, that is, what is required in a given position, and placed ‘mental and emotional stress’ under the working environment. Such adjustments are allowed for companies as long as the criteria are justified and the system is transparent.

Figure 6. Example of a job classification scheme from Icelandic Customs.



Source: Icelandic Customs, Tollstjóri.

The way companies and institutions arrive at their respective job classification criteria varies. However, all of the representatives of companies and institutions agreed that it was crucial to have top management support the design of a consistent job classification system. In some companies, the HR department made these decisions, while other companies went through longer processes involving different departments. Similarly, some companies chose to carry out this work with their own resources, while others obtained assistance from consulting companies.

Accredited certification bodies shall confirm that a company's or institution's equal pay system and its implementation thereof meet the requirements of ÍST Standard 85. The certification of any management system is a formal confirmation by a third party that the company or institution operates a management system that meets the requirements of a certain management standard (in this case, of ÍST Standard 85). Equal pay certification performed by accredited auditors is intended to confirm that when decisions on pay are taken, they are based on relevant considerations. This means, among other things, that wages paid by the company or institution in question are at all times determined in the same way for women and men and that the considerations on which decisions on wage are based do not involve discrimination on grounds of gender. For this, the company or institution undergoes a certification process in order to establish that its equal pay management system is implemented according to the requirements as set out in ÍST Standard 85. Certification is then granted by an accredited certification body. Certification bodies must have received accreditation from the accreditation department of the Icelandic Patents Office or a comparable authority in the European Economic Area. Accreditation under Regulation No. 1030/2017 confirms (when the accreditation certificate is shown) that the accreditation body meets the requirements of the standard and is regarded as competent to certify the equal pay systems of companies and institutions in accordance with the standard and the requirements stated in the regulation. In order to be able to certify the equal pay standard, the certifying body has to fulfil certain requirements. For example, it is mandatory to pass a training course on gender and the labour market with a first-class mark. While this is seen as burdensome by some, others point to the fact that the first educational run of the course showed that pupils had very little knowledge about gender equality and the labour market (Interview, Trade Union and Business Iceland Representative, 2018). This does point to the important function of the requirement of such a course as a precondition that certifying bodies will be more effective in the implementation of the standard or in uncovering instances when pay for the same work is justified or when unequal pay for the same work is

unjustified. It also creates a new profession in the labour market that has to develop and acquire skills that are supported by the Icelandic Ministry of Finance.

The way the certification works is that the company or institution applies to a competent body for certification of its equal pay management system. The certification body directs and carries out an audit of the equal pay management system of the company or institution. When the certification body has completed the examination and established that the equal pay management system of the company or institution meets the requirements of ÍST Standard 85 (i.e., that its equal pay management system, and the way it is applied, meets the requirements of ÍST Standard 85 and, consequently, that the handling and setting of wages in the entity concerned does not involve gender-based discrimination), the certification body takes a decision on certification and issues a certificate in confirmation thereof. The certification body then informs the Centre for Gender Equality of the outcome of the audit in the form of a report and sends it a copy of the certificate. Such reports contain details of how the company or institution has met the requirement of ÍST Standard 85 and also confirm that the company or institution has set itself an equal pay policy and documented rules of procedure on its application, and that a review by the management has taken place and that measures have been taken where they were considered necessary. The Centre for Gender Equality is a national bureau and is in charge of administering the Equal Pay Management System, such as monitoring the application of the Act and advising institutions and companies on issues related to the Equal Pay System.

Companies and institutions are required to have their equal pay certification renewed every three years. When the Centre for Gender Equality has received a copy of the certificate confirming that the equal pay system of the company or institution, and the way it is applied, meets the requirements of ÍST Standard 85, it confers the equal pay symbol on the company or institution⁸. Companies and institutions with more than 250 employees are required to obtain certification by the end of this year, because they are expected to have more resources and infrastructure to implement the standard. Depending on the size, smaller companies have more time (see Annex I). If a workplace does not obtain certification by the deadline, it will receive a fine of up to ISK 50,000 (around €397) per day.

8 <https://www.government.is/topics/human-rights-and-equality/equal-pay-certification/>

Implementation of the Icelandic Equal Pay Standard: An example of one company

The Icelandic Equal Pay Standard has only existed for a few months as a mandatory standard, so the majority of experience with it comes from the pilot period. Here, we present an example from a single company that implemented the standard and underwent the accreditation process during the pilot phase. This is a large company with 250 employees. We have reviewed the available documents about the process undertaken by this business, to the extent that they were available in English, and interviewed the head of the HR department. We also contacted representatives of the trade union at this workplace, but they referred us to the trade union representatives who had contributed to the drafting of the standard, or to the HR manager of the company. None of them felt they had been adequately close to the process at the workplace to have anything informative to say. In the interview, the HR manager of the company reflected on the start of the process, and recalled that they started to,

look at every single job of the 250 employees because what had happened through years was that quite different jobs had the same title. For example, we had the title of ‘representative’, that could mean a representative sitting in a service function, or that could mean a representative is going out and doing some work in collection. So, it was a very broad span. So, we had to kind of look at that and narrow that down a bit. (Interview HR Manager, 2018).

In this company, the head of HR decided to put together a project group that came up with the preliminary definitions of the criteria according to which the company or institution must classify each job as laid out in the standard. However, the standard allows adjusting these criteria to fit the needs of the organisation. In the case of the institution in question, the project group decided to put more criteria than the standard requires, as well as other sub-criteria for job evaluation. After the project group came up with the initial criteria, it formed a focus group of all middle and top managers, because they were the ones who would rate each position. The focus groups worked over a period of 3 months, in which they had to review the definitions and the criteria for job classification and come to a consensus. The HR manager explained that,

we had lots of changes after these focus groups, and what you find is that somebody reads something into it, and a different person reads something else. So, it has to be really structured, and I would say that this part of the project is one of the things . . . is the part you really have to put time into because you want to make your criteria right. (Interview, HR manager, 2018).

After the focus group had decided on the criteria and on how the company would classify each position, implementation began. The head of HR, a specialist from the HR department and the general director met with each manager of the different departments (in 25 meetings) to ensure that the job classification developed consistently. After these meetings, the company had 18 job titles. The next step was to look at these 18 job titles with a focus on the core requirements of the job, not the person doing the job. This proved challenging because HR and the managers are used to a 360-degree evaluation while the standard forces you to evaluate, as a first point, only the core requirements of a certain job. The second step was to evaluate the person doing the job. It was during this stage that the company uncovered unequal pay between males and females doing the same work. One HR manager explains:

what we found here was we had a legal analyst and we had . . . what's called a statistic analyst. Their jobs were classified as having the same points, so it was of same worth. But when we then did the job analysis, we found out that we were paying the legal analyst more than the statistical analyst, and it so happened that the statistic analyst was a woman and the legal analyst was a man. And then we raised the salary of the statistic analyst to be the same as that of the legal analyst because the classification had shown when you've gone through all the criteria, that the points were the same for these two jobs, so they were of equal values and should then have the same pay.

Interestingly, the re-evaluation uncovered pay differences between men and women, but also differences between men and differences between women in the same job. Recall, unequal wages for the same work are permitted as long as they are sufficiently explained. This led to instances in which the salary of one employee had to be either lowered or the inequality had to be justified. The company described above did not lower any salaries. This involved three people in the whole institution and the difference in pay was justified due to their seniority or their previous management experience. In these instances, the employees were notified, and the employer explained in detail how they arrived at this conclusion. This information, why person A has a higher salary doing a job that has the same amount of points that person B is doing, is accessible to all employees. After this internal process came to an end, the certifying agency sent

three staff members to the company for three days. They compared the company's pay structure to the requirements of the standard. Specific questions were related to how the job classification was done and its outcome, how the salary analysis was done and its outcome. After a positive evaluation, the institution received the Equal Pay logo.

The employees gave positive feedback on the more transparent salary system, as it increases trust that they are indeed being paid just and equal wages.

According to the HR manager, the implementation of the standard very much made a difference: 'even though equal pay is mandatory, still when you start looking into it, it's not like that. It is always some sort of . . . well, some gap you have to close' (Interview, HR manager, 2018). This is not to say that the institution had not thought about its job classification scheme previously, but according to the HR manager the standard forces them to make the job classification more structured, predictable and uniform and leaves less discretion to individual managers, impacting positively on the organisational culture.

One criticism that an HR manager voiced about the Equal Pay Standard is that it does not address how norms define the creation of the job classification system. For instance, one institution found that 80% of the office workers were women, while 80% of the officials in outside posts were male. If an official's work in an outside post is valued higher than an office worker's, it means that the former are paid more. In this case, women are still paid less than men, because most of them are office workers at the given institution. One HR manager has recognised this and aims to re-think how jobs are valued in the company and to look at 'what is really or should be the worth of the value of each criteria, and may there be some criteria that we should be looking at, and not looking at the moment? The next step for us to do is to look at, "Do you have some preconceived notion that jobs mainly held by women are less valuable than jobs held by men?"' (Interview, HR manager, 2018). Interestingly, on the initiative of this HR manager, the company held focus groups with the women working at the desk jobs in order to find out what would motivate them to move into the better paid positions that are not male dominated, or what prevented them from applying in the first place. Reasons given were related to issues such as the long and inflexible shift work hours. This institution is currently in the process of looking into revising the shift system (with shorter, more flexible shift hours) to make it more attractive for female staff. This is an instance in which the equal pay standard did not call for such measures, but the implementation of the standard illuminated issues that were previously not being discussed, and paved the way for a more open discourse, not only on equal pay for equal work but

also on issues relating to the kinds of jobs that males and females chose in the first place.

Timetable of deadlines of the implementation of the standard:

- Workplaces with an average of 250 employees, or more, on an annual basis – no later than 31 December 2018.
- Workplaces with an average of 150–249 employees, on an annual basis – no later than 31 December 2019.
- Workplaces with an average of 90–142 employees, on an annual basis – no later than 31 December 2020.
- Workplaces with an average of 25–89 employees, on an annual basis – no later than 31 December 2021.
- Thus, all companies and institutions where there are 25 employees or more, on an annual basis, shall have acquired certification by 1 January 2021.
- Public institutions, funds and companies that are half-owned or more than half-owned by the state with an average of 25 employees, or more, on an annual basis, shall have acquired certification by 31 December 2019.
- Furthermore, the Icelandic Government Ministries shall acquire certification by 31 December 2018.

Source: <https://www.government.is/topics/human-rights-and-equality/equal-pay-certification/>

Discussion

Mandatory pay equality certification has only recently been introduced in Iceland. So far, only companies and institutions who participated in the pilot project or large companies and institutions have implemented the standard and received certification. Even though the representatives interviewed from those companies and institutions who implemented the standard agreed that the implementation process was burdensome, they appreciated the positive outcomes that were connected to this lengthy process. Companies repeatedly expressed that certification had positive impacts on the new hires, who feel more confident that men and women will be paid equally since the company has received certification. From the point of view of various HR managers, the certification process also positively impacted the feeling of employees within the company, making them proud to be part of this progressive project, or making the female workforce more trusting of the company and their wage policy. One HR manager said that there was a bit of a generational divide in the company, with the older male workforce not showing much understanding for implementing the Equal Pay Standard whereas the younger male workers were in favour of doing so. Nevertheless, the process has stimulated in-firm and societal discussion about how jobs are valued and based on which criteria, and whether these criteria are still accurate and relevant in the current society and labour market. In the end, the system makes companies create a transparent pay system and increases transparency for employees, who have the right to ask the employer to state the wages and terms at which they are employed, if they choose to do so. This right has been enshrined in the Gender Equality Act since 2008. This means that employers are not able to demand that their employees enter into wage agreements including a provision not to reveal their contents. Such provisions are unlawful, and therefore have no validity, shifting the burden of proof from employee to employer and forcing companies to develop or re-think their job evaluation system. This may inspire discussions on how companies or institutions think about how they value not only jobs, but also professions.

An objection, however, is that the change in the burden of proof applies internally to the business, so that only a part of the problem is dealt with. The wage inequality that arises at the national level as a result of the fact that women and men typically work in different industries will not be affected by the Equal Pay Standard. However, the processes around the standard can, over time,

encouraged discussion on sector-specific inequalities. Viglundsson and his party, the Reform Party, made a proposal to the Icelandic Parliament in early 2018 that, in addition to the centralised rounds of negotiations, an agreement should be introduced that during the next four or five-year period, certain occupations will receive a given sum to correct the current imbalance (interview with Viglundsson, 2018). This proposal has not been implemented at the time of writing, so Iceland still lacks powerful means to close the wage gap between female-dominated and male-dominated sectors in working life.

Nevertheless, the Equal Pay Standard, and some of its provisions, has its critics. One criticism from the employers' association is related to the size of companies that have to implement it. While the employers' association generally regarded the standard as burdensome for companies, this is especially true for smaller companies without HR departments or previous knowledge of international management standards. Apart from the issue of red tape, it is not quite clear how to define what '25 employees on an annual basis' entails and how this will affect the new hiring decision of small enterprises in the future. For instance, will a company employing under 25 full-time employees on a yearly basis resort to employing atypical workers in order to reduce the burden of the certification process? What about a large construction firm that manages a mega project, and received certification, but contracts many smaller companies to do the heavy lifting on a construction site? These are scenarios that have yet to be explored.

Several of the informants in Iceland, especially on the employer's side, were worried about the extra work the standard imposes on companies. This was especially the case with regard to the smaller companies. At the same time, as mentioned, some of the informants emphasised that the work that was done in connection with the standard was useful and had positive consequences for corporate culture and the working environment. The positive experiences of these big companies or institutions with the voluntary scheme cannot be generalised to all companies now subject to certification. As part of the certification process bureaucracy is developing as a new 'profession', one of those who qualify to assess whether companies have met the standard. None of the informants were particularly concerned about the socioeconomic consequences of this: Qualifying and financing certification bodies was perceived as a negligible investment and could probably be understood in connection with the work already done to certify businesses according to existing standards.

Certification of the fact that a certain company or institution meets the requirements of the Equal Pay Standard does not prevent it from paying different

wages on the basis of relevant considerations, for example, taking account each individual's educational qualifications, experience, knowledge, responsibility, the pressure under which they work or other circumstances of employment. Nor does certification prevent taking individual factors into account when determining wages, where these have an effect on how the employee is able to do his or her job, or involve an assessment of his or her success in the job. Thus, differences in the wages paid to individuals are not prohibited as such, but where different individuals receive different wages, the difference must be based on relevant considerations in which gender plays no part whatsoever. However, one point of critique is that companies will just try to explain the difference away, meaning trying to justify an unfair difference through the value of work.

The relationship to collective bargaining has not been part of the development of the standard. The Ministry of Welfare points out that this relationship will have to be addressed at the company level and it is the responsibility of the employers and the trade unions to arrive at a positive accord. Several interviewees expressed that there may be a tension between the Equal Pay Standard and collective bargaining. This may become an issue in the future in workplaces that negotiate collective bargaining agreements with a lot of different trade unions. One representative from the employers' association says:

... But we mentioned a lot of obstacles. I mean constructing a wage system is a huge task for many companies. Like, the private companies operating the airports, they are very interested, but they see it as huge, this task. Because they have so many groups and they have never tried to value their work...I mean it's one thing to value work over genders. But the idea here is to value all the occupations, you know. And how do you value the flight attendant versus an engineer? Okay. You have many meetings. You come to a conclusion. And then you have the flight attendants on strike. (Interview, Business Iceland, 2018)

However, one HR manager also identified an advantage of collective bargaining in relation to the Equal Pay Standard when they had to deal with the issue of how to correct unequal wages within one group. For one company or institution, it is difficult to adjust the wages of a whole group of approximately thirty employees. After the implementation of the Equal Pay Standard, the company realised that this group should earn more according to their job criteria. This was adjusted in the next bargaining round for the whole group, directly after the implementation of the standard (Interview, HR manager, 2018).

Finally, there are also some interviewees who are concerned that referring to the Equal Pay Standard as a standard for gender inequality does not go far enough. One interviewee suggested that the Equal Pay Standard should also address and embrace the issue of wage inequality according to nationality more directly. One HR manager noted: 'It is a bit...not disturbing, it's not the right word, but it's a bit confusing that it so specifically talks about gender, but it's still going be on an overall scale.' While the Equal Pay Standard is designed to equal out inequalities in pay among social groups, it is not promoted as such. In the future, the Equal Pay Standard can be used not only to promote differences based on gender but also based on nationality, minority status or other categories in an ever more diverse labour market.

Conclusion

The purpose of this report was to assess the Equal Pay Standard, how it evolved and its working on the ground at a very early stage of its mandatory implementation. All interviewees raised the issue that the current standard is still evolving along with the mandatory implementation phase, and that it may need to be adjusted according to the experiences of different companies. It will be interesting to see if or how the experiences with the Equal Pay Standard will differ according to the size of the companies and sectors, including companies that have no human resource department or have no previous experience with implementing management standards. However, the interviewees agreed that the benefits of the Equal Pay Standard outweigh the costs of its implementation; having a more transparent and organised pay system is good for the working climate and for attracting new talent. It is not surprising that the Equal Pay Standard appeals to companies' 'business sense', because it has been designed as a voluntary measure for companies who wish to position their organisation as strong on corporate social responsibility. Experiences with other voluntary employer actions suggest that these are indeed important in closing the gender pay gap, although primarily at company level (for an overview of different countries across the EU see Rubery and Koukiadaki, 2018, p. 65). Experiences with voluntary measures in Canada point to the importance of an effective enforcement system to limit the deterring effect of the legislation. In connection to the Canadian voluntary enforcement mechanism, Rubery and Koukiadaki (2018) point out the positive effect that trade union involvement will have in enforcement. The Icelandic Equal Pay Standard made the voluntary measure mandatory in order to ensure that an institutional enforcement system is in place. While considerable resources are being put into establishing a new profession of trained accreditation bodies, it is too early to assess the effectiveness of these new agencies and what impact the trade union's lack of formal role in the enforcement process will have. One crucial aspect in the enforcement process will be whether the accreditation bodies will be able to uncover instances in which a company or institution justifies inequality of wages for the same work but has no actual reason for doing so.

Nevertheless, all human resource managers were positively surprised that the implementation of the Equal Pay Standard did not only positively influence their business case, but changed the way managers and employees discussed the

issue of equal pay, or at least made the issue of equal pay a point of discussion on a large scale for the first time in the company. More critical voices were concerned that the standard is unable to change the normative assumptions about how companies, institutions or society at large values jobs. The re-evaluation of jobs is, or may be, able to uncover pay differences between men and women in the same job. What about job segments within the company that are vertically and horizontally segregated based on gender? And how will intra-company measures to reduce gender inequality in pay influence sectoral gender segregation? Can the Equal Pay Standard speak to inequalities in wages not only based on gender but based on nationality or ethnicity? Even though it is theoretically possible to implement the standard in another country, how feasible is this in practice, given the differences as to how other countries organise their labour market and policy? These are questions that can only be answered in the years to come. However, Claudia Golden (2014) reminds us that changes in intra-company job systems are vital for changes in the overall structure of the labour market and for addressing not only the intra company, but also the sectoral, pay gap. If this is true, the Equal Pay Standard might be able to make a long-term impact not only at the company level, but at the sectoral level, if the institutional support remains constant. In Iceland, its continued importance at the institutional level is demonstrated by the fact that the new Minister of Welfare and Equality made the issue of equality his focal topic, and parties are working on new legislation that can complement the existing legislation on the Equal Pay Standard. Moreover, some countries have already looked into the possibility of adopting the Equal Pay Standard as a voluntary measure. For example, under the auspices of the EEA agreement, Portugal is interested in adopting the Equal Pay Standard and making it fit into its institutional context.

However, it is important to note that in discussing the barriers to gender pay equity that the problem is not women's inherently lower productivity levels, but the low value attached to women's work that is embedded in markets and prices (Grimshaw and Rubery, 2008). Part of the solution for closing the gender pay gap thus lies in the question as to how we value different tasks or jobs and why we value them in a certain way. This question is not addressed, at least not directly, by the Equal Pay Standard. What the Icelandic Equal Pay Standard does is to move away from a focus on individual explanations of why women earn less than men, for example, because they do not negotiate hard enough, to establishing a supportive institutional environment for gender pay equity at the company level. Supportive here means general public support, but also means the creation of a transparent environment in which it is more difficult for the causes of pay inequality for the same work to remain hidden and obscure.

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Certified Equality

The Icelandic Equal Pay Standard

In 2018, Iceland introduced a statutory certification process through which companies and institutions with over 25 employees must prove that they pay men and women the same for the same job. This innovative mechanism moves the burden of proof from employee to employer and forces companies to develop a more transparent system for the way they value different jobs. The purpose of the certification process is to close the relatively small but sustained wage gap between the sexes. Based on qualitative in-depth interviews with key government informants, social partners and HR leaders in Iceland, this report takes a first look at how the payday standard was established and how it works in practice. Findings show that the Icelandic Equity Standard moves focus from individual explanations of why women earn less than men, to establishing a supportive institutional environment for equal pay at the corporate level. «Supportive» means public support, but also means creating a transparent environment in which cases of inequality cannot remain unknown or hidden.