



# Iceland: Equal pay certification legalised

ESPN Flash Report 2017/55

STEFÁN ÓLAFSSON – EUROPEAN SOCIAL POLICY NETWORK

JULY 2017

## Description

*Parliament has recently adopted a new mandatory “Pay Equality Certification” system (Jafnlaunavottun). This introduces a requirement for establishments with 25 employees or more to obtain certification of pay equality between the genders in the work place. The aim is to root out “unexplained gendered pay differences” and thus end gendered discrimination in the labour market.*

### LEGAL NOTICE

*This document has been prepared for the European Commission. However, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.*

Since 2009 Iceland has topped the World Economic Forum’s *Global Gender Gap* rankings (see WE Forum 2016). According to that survey, Iceland is the country that is closest to gender equality in its society and economy.

With an overall gender equality score above the other 143 participating countries, one might think that Iceland would rest happily and enjoy its success on that front. Still, the present government (in place since January 2017) wants to progress further, with a new initiative aiming for fuller pay equality between genders.

While Iceland has had legislation on equal position and equal rights of women and men for decades (the last piece of legislation is No. 10, from 6th March of 2008), there has been continued concern that even strictly worded equalisation legislation does not produce full gender equality of pay in the labour market.

A recent survey from Statistics Iceland (cf. Sigurður Snævarr 2015) showed, for example, that the unexplained gender pay gap amounts to 5.7% in 2013 (i.e. the pay difference that cannot be explained by differing volumes of work, educational levels, age, responsibility, length of career etc.). Since 2008, this gap has decreased by 2.1 percentage points. If a number of reasonable explanatory factors are taken into account, the gap in Iceland is quite close to that observed

in the other Nordic countries. This 5.7% unexplained pay gap is thus the gender difference in pay that can be attributed to discrimination against women.

Parliament (*Alþingi*) passed an amendment to the 2008 legislation on equal position and equal rights of females and males on 1 June 2017, making it mandatory for all firms and institutions with 25 or more employees (on a full time yearly basis) to obtain a “Pay Equality Certification” (*Jafnlaunavottun*). The new provision will enter into force on 1 January 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).

The required certification is based on the ISO “Equal pay management system - Requirements and guidance” (its Icelandic version goes by the name [IST 85:2012](#)). Professional certifiers, such as private consultancy firms, shall deliver their verdict, with a report for each case certified, to the public Centre for Gender Equality ([Jafnréttisstofa](#)). The certifiers will be requested to give information to this Centre about those that do not qualify in the test. The certification will have to be renewed every three years. The Centre will cooperate with the social partners and can provide them with information from

its registry of certified (and not certified) companies and institutions.

One of the new political parties (centre-right Viðreisn) had the pay equality certification issue as one of its main policy goals in the parliamentary elections of October 2016. They came into government in January 2017 and the legislation was passed just a few months later, on 1 June.

## Outlook & commentary

Full mandatory pay equality certification is a relatively new issue in Iceland, even though it has been discussed in recent years, in relation to concerns about the persistency of unexplained gendered pay differences, despite legislation imposing non-discrimination in the labour market.

Still, the idea of certification has had its critics. Employers' federations generally came out against it, complaining that it placed increased cost and regulatory burdens on firms and involved too much interference in labour market processes. Excluding companies and institutions with fewer than 25 employees from the legislation was done as a conciliatory move, on the basis that the certification was more burdensome for smaller establishments.

Some Members of Parliament from the largest governing party, the centre-right Independence Party (*Sjálfstæðisflokkur*), voiced opposition to the new legislation, but abstained when it came to the

vote. The fact that the smaller Viðreisn party had got it into the government manifesto secured the issue a safe pathway through parliament.

Some academic economists were also critical of the certification requirement, arguing that there is no systematic gender discrimination in the labour market – only differential volumes of work and other aspects that would be explained if measurements were perfected.

It is no doubt a significant step forward to make gender pay equality certification mandatory for larger employers in Iceland. Even if one accepts that gender-based discrimination of on average around 6% exists, the actual impact of the gender equality certification will be limited. Still, a large “explainable” pay difference remains between genders (some 22% in 2014), mainly due to differing work volumes. That is still a “gendered pay difference” rooted in the fact that women take greater responsibility for care tasks within the household, while men spend more time in paid work.

So the certification requirement might help root out the “unexplained gender pay gap”, but is unlikely to reduce the larger “explainable pay gap” (for example due to differing working hours in paid work). Still, one may assume that the certification requirement will forward the ethos of gender and other equality issues in Icelandic society, both directly and indirectly.

## Further reading

Alþingi (2008), *Legislation on equal position and equal rights of women and men*. Available [here](#).

Alþingi (2017), *Amendment to the 2008 legislation on equal position and equal rights of women and men, with equal pay certification*. Available [here](#).

ÍST 85:2012. *Jafnlaunastaðall*. Available [here](#).

Sigurður Snævarr (2015), *Launamunur karla og kvenna* (Pay differences between males and females), Reykjavík: Ministry of Welfare. Available [here](#).

WE Forum (2016), *Global Gender Gap Report 2016*. Available [here](#).

## Authors

[Stefán Ólafsson](#) (University of Iceland)