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**Gender Wage Gap & Equality for All:**  
The Case of a Financial Institution in Iceland

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Gender Wage Gap & Equality for All

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## **Preface**

This thesis was written to obtain a Master's of Science degree (MS) in Human Resource Management in the School of Business at the University of Iceland, and it is considered to be worth 30 ECTS credits. My supervisor for this thesis was Gylfi Dalmann Aðalsteinsson who is a professor in the Human Resource Management program in the School of Business.

I would firstly like to thank my supervisor for all his assistance and inspiration throughout this thesis. Also I want to acknowledge the Human Resource manager at the financial institution for giving me so much of her time and help, without her cooperation this project would not have been possible. Additionally, I would like to thank my friends and family for their continued support not only during the thesis but throughout my schooling as well. Lastly, I would like to give a special thanks to Kristín Erla Jóhannsdóttir for giving me the push I needed to do this and to Bjarni Lars Arason for always giving me the confidence and encouragement I needed to complete it.

## **Abstract**

In a world with a growing labour market and greater diversity than ever, gender equality in the workplace is becoming increasingly important. Despite great advances, the gender wage gap persists all over the world. Women are still being paid less than men for doing the same jobs and are facing discrimination in the workplace based on their sex. One of the financial institutions in Iceland is no exception, there have been problems relating to these issues within the organization. The purpose of this study is to examine the case of this financial institution in particular and see how they have attempted to tackle the gender wage gap. Common theories about the gender wage gap will be explained, namely the glass ceiling theory, sticky floor theory, and the human capital model. Other important topics relating to this issue will also be discussed, such as the trends in the gender wage gap, female gender constraints, pay expectations and maternity leave. The Icelandic labour market will be examined in particular, and comparisons will be made with other countries in the European Union and the initiatives they have taken on, as well as solutions the financial institution has been undertaking in order to fix their gender wage gap and gender equality issues. Some examples of what the financial institution has done are to create a gender equality committee and specific focus groups, signing the UN Equality Treaty, and obtaining an Equal Wage Certificate in order to commit to the Equal Wage Standard in Iceland. The methods taken to create this study will also be looked at in further detail. The specific initiatives will be described in depth and their practical applications for other organizations will be discussed so that the gender wage gap and gender inequality can potentially be put to an end worldwide.

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# 1 Introduction

The purpose of this study is to examine an Icelandic financial institution and answer a specific research question, what methods does an Icelandic financial institution undertake in order to tackle the gender wage gap? Furthermore, there will be an in-depth discussion about some of the solutions that have been undertaken in order to correct the gender wage gap at this institution. The literature review is divided into two sections and the first one will discuss background theories on the gender wage gap, trends that have taken place, female gender constraints, pay expectation of women and maternity leave. The second section pertains to the Icelandic gender wage gap and labour market specifically. The labour market trends from the past decades will be discussed, as well as other factors affecting the gender wage gap in Iceland. These ideas and previous studies will be further analyzed in the literature review in order to understand the complex phenomenon of the gender wage gap.

The second section of this thesis will discuss the methodology that was used to acquire the confidential information from the Icelandic financial institution, how the data was obtained, as well as some limitations of this project. This will be followed by the findings of the study, with an in-depth description of the financial institution and some of the problems that are occurring there with regards to the gender wage gap and gender equality. A discussion will then take place as to whether or not the financial institution is on the right track with their solutions in tackling the wage gap. There will also be some suggestions for other possible initiatives the financial institution could use. This will be followed a segment on how this study can be used as a practical basis for other organizations in order to improve their gender equality.

## 2 Literature Review

The gender wage gap is a widely studied problem with many researchers attempting to explain it from different perspectives. It has been present in industrialized countries for a long time and continues to be a big question in our modern society (Booth, 2009). In this section, the literature that is related to the research topic is reviewed. Many relevant topics will be discussed to give some background on this matter in order to facilitate a full understanding of the financial institution case, as well as their solutions to the gender wage gap. First the gender wage gap will be examined, which includes a discussion on trends, theories, gender constraints, pay expectations and maternity leave. Large fluctuations in the gender wage gap can be seen over the decades due to many different aspects, with one notable factor being the large increase in women's salaries and involvement in the labour force from the 1970's onwards (Blau & Kahn, 2007). There are numerous proposed reasons as to how the gender wage gap works. Two of the most common explanations are the 'glass ceiling' and 'sticky floor' within an organization. The literature on these ideas is extensive and many studies have examined this in various countries (Christofides, Polycarpou & Vrachimis, 2013). In the Human Capital model, certain characteristics of individuals are taken into perspective when examining the wage gap, such as experience, training and education (Hogue, DuBois & Fox-Cardamone, 2010). Some researchers believe the gender wage gap is due to the difference in education and degree of study between men and women. It has been proposed that certain degrees are more commonly obtained by either males or females but not all have equal value in the labour market (Machin & Puhani, 2003). One study found that career earnings differ between men and women due to differences in training before an MBA graduation, differences in interruptions throughout the career and differences in weekly hours worked (Bertrand, Goldin & Katz, 2010). It is also possible to see that women are often stuck in certain gender roles, causing them to adopt masculinized leadership roles in order to climb the corporate ladder. This can have a negative effect on women's likeability, therefore leading to decreased influence in the workplace (Wade, 2001). The amount individuals expect to be paid can also have an effect on the gender wage gap. It has been found that often

women have lower pay expectations than men upon entering a new workplace, and this can lead them to have lower salaries and even be less likely to expect a raise (Heckert, Droste, Adams, Griffin, Roberts, Mueller & Wallis, 2002). Finally, the length of time a woman is on maternity leave can affect the gender wage gap, depending on how long she is away from work. In some countries women have very long maternity leaves and some studies have found that this can negatively affect their wages since they lose many hours of experience, as opposed to the men in the same organization (Cabeza, Johnson & Tyner, 2011).

The second section looks at the Icelandic labour market and how it relates to the gender wage gap, including a discussion on the paid parental leave act of Iceland, the VR union, and also provides comparisons of Iceland and the Nordic countries and with the EU. The paid parental leave act is one example of this, a law has been passed allowing fathers to have a longer paid paternal leave from work and this has affected women's participation in the labour market positively (Arnarson & Mitra, 2010). One of the largest unions in Iceland called VR will also be discussed since they have done many studies on the gender wage gap and gender equality in Iceland. They have also contributed a great deal to the decline of the gender wage gap in Iceland in recent years through their active work in this area (Launamunur kynjanna, n.d.). Comparisons will be made between Iceland's gender wage gap and that of the other Nordic countries since they have similar legislations as Iceland, and they are all considered to have very strong equal rights for men and women (Gupta, Smith & Verner, 2008). Many countries in the European Union have also taken on certain initiatives in order to fix this problem, which will be further discussed, as well as comparisons between gender wage gaps in different European countries.

## **2.1 Theories of Gender Wage Gap**

The main theories of the gender wage gap will be discussed in this chapter. These are some of the most common theories and studies that have been done and will give some background as to what the gender wage gap is.

### **2.1.1 Glass Ceiling Theory**

One of the most commonly known explanations of the gender wage gap is the concept of the 'glass ceiling'. This term was coined in the 1980s by journalists as a way of explaining a very specific type of labour market disadvantage faced by many women and minorities. This form of disadvantage stops them from advancing into the highest positions of an organization's hierarchy. The glass ceiling creates an image of an impenetrable barrier that is not always visible yet is still in existence, and this barrier stops women and minorities from attaining high-level positions in a management hierarchy. There is always the possibility of being promoted beneath the barrier, but never above it. Women have been very much underrepresented in the top positions of organizations in many fields and this is still the case today (Zeng, 2011). Despite women's education and work experience it is difficult for them to move up the corporate ladder due to the glass ceiling. This disadvantage is based on stereotype and corporate culture. There are especially disproportionate numbers of women in senior banking positions as opposed to lower levels of the organization. Although the glass ceiling is invisible, it can very much hinder women's advancement in financial institutions and other job sectors (Kamkatwong & Kleiner, 2001). Research has been done on the glass ceiling metaphor in order to identify the organizational practices and some of the interpersonal biases that hinder women's promotion to higher positions above the glass ceiling. Some of these studies found that the problems were often due to lack of mentoring for women in the workplace, sex stereotyping, as well as the erroneous idea that leadership is a masculine trait that females do not possess. One study examined whether bosses stereotype women with the perception that they experience a higher level of family-work conflict than men and if this was contributing to their lack of promotion. Having higher family-work conflict would mean that they would have a decreased ability to fit in with their organization and would have more difficulty moving upward within the company. The results strongly supported this hypothesis, showing that women are often stereotyped to be more nurturing, and therefore it is assumed they have higher family-work conflict even though this is not necessarily the case. Due to these assumptions, women are rated lower on their performance and fit within an organization. Because of their supposed work-family conflict, women may be seen as less focused on their careers and therefore less

compatible for managerial and leadership positions, as well as less committed to the organization (Hoobler, Wayne & Lemmon, 2009).

### **2.1.2 Sticky Floor Theory**

A second alternative theory that is related to the glass ceiling metaphor is that of the 'sticky floor', which has two possible interpretations. It was first used in 1995 to describe how the careers of women in the field of academic medicine were held down because there was a lack of support and resources from their institutions (Smith, Caputi & Crittenden, 2012). It has been found that women are generally promoted as often as men, however they often receive lower wage increases after the promotion has taken place. This means that women become glued to the bottom levels of the wage scale due to the 'sticky floors', despite having been promoted to a higher job. This can increase the wage gap between men and women since it seems that women often get stuck with a lower salary than men would have, regardless of being promoted (Booth, Francesconi & Frank, 2003). The second but less commonly used interpretation of the sticky floor is that women are responsible for putting up their own barriers against themselves in the workplace. According to certain research studies there is a pattern that women are self-sabotaging their careers and limiting themselves to the lower levels of an organization, as well as some researchers purporting that women must make changes themselves to 'play the game' more like men (Smith et al., 2012). From this interpretation it can be understood that the professional status of women results from individual choices rather than barriers created by third parties. It is assumed that the majority of these choices are related to marriage and family. For a long time, economists have found that the decisions of men and women related to the labour supply are rational, and divide the household production and market production amongst themselves. The factors that affect this division the most and create the biggest changes are family and children. This theory acknowledges how difficult it can be for women to balance familial obligations and their careers, and therefore end up creating barriers for themselves with their decisions regarding family and children. These barriers may also affect women's work force behavior and experience levels, therefore causing a larger gender wage gap (Baker, 2003).

### **2.1.3 Human Capital Model**

The human capital model has also been proposed in order to explain the gender wage gap. This is the belief that different skill sets hold different values within an organization. Some examples of human capital are experience, training, ties to organized labour and education. One study done found that these differences can account for roughly 60% of the gender pay gap, and often the human capital of men has exceeded that of women (Hogue et al., 2010). Some studies have examined this through differences in schooling between men and women. It has been found that often the discrepancy is not due to the quantity of schooling but rather the quality and the content, such as variation in college majors. Certain majors and courses may have higher importance when it comes to the labour market (Kunze, 2005). It is believed that women and men generally enroll in different degrees and there are definite wage differentials depending on the subject of education and degree. An example of this is the surge in the information technology sector giving many individuals working in this domain a high income. One study found that in Germany and in the UK many more men were working in the highly paid sectors of technology, mathematical sciences and engineering, whereas many more women worked in the lower paid sectors including humanities, education, language studies and creative arts. The results of their study found that subject of degree in these two countries explained about 2-4% higher wages for male graduates as compared with female graduates. Their findings showed that difference in degree of subject could create up to 8-20% of the overall gender wage gap. These numbers demonstrate a substantial impact on wage differences with diverse degrees and also support previous studies on this subject (Machin & Puhani, 2003). Within the corporate and financial domain women are also often underrepresented compared to their male counterparts. This is especially true at the highest levels of the corporate ladder, women are much less likely to hold these positions. Males and females with a Master of Business Administration (MBA) were examined in a study by Bertrand et al. (2010). It was found that at the beginning of their careers, both sexes had almost identical incomes but the earnings soon changed. One of the possible explanations for this suggested by the researchers is that men and women tend to take different courses in their MBA and have different grades. Men are more often enrolled in a higher number of finance courses than women and have higher GPAs in their

business schools. This starts their careers with somewhat different training and can potentially contribute to the wage gap between them (Bertrand et al., 2010).

## **2.2 Trends in Gender Wage Gap**

The number of women in managerial positions has been steadily increasing from the 1990s. In the United States, the percentage of female managers increased from 29.3% in 1990 to 36.4% in 2002, and finally up to 42.7% in 2010. An important thing to note, however, is that this increase is not evenly spread out across different occupations and industries. Women are often overrepresented in certain types of professions, such as in services, sales and clerical jobs. In 50 of the largest industries in the U.S., women only had a higher or equivalent number of management positions in 7 industries. It is especially difficult for women to advance in industries which are traditionally male-dominated (Cabeza et al., 2011). The gender wage gap can be measured in a few ways; the most common method is to calculate the difference between men's and women's average total hourly earnings. Some measure it as the difference between male and female hourly wage divided by the men's hourly pay. Regardless of how it is done, there are some observable traits that can explain the gap. Some examples of these are differences in experience, education, company characteristics and the type of job. When measuring the gender wage gap these observable characteristics are adjusted for, making the gap smaller, but existent nonetheless. These observable traits may also be a source of discrimination and disadvantage for women (Smith, 2012). Throughout the decades, women have managed to achieve remarkable earnings gains and have narrowed the pay gap with men. Despite this progress, however, the gender wage gap persists. Blau & Khan (2007) examined the female-to-male earnings ratios of full-time workers from 1955-2003 and noticed some interesting trends. A female-to-male earnings ratio shows what women are earning compared to what men make in salary, and it is expressed as a percentage. During the 1950's to 1960's the female-to-male earnings ratio was very low and was constantly decreasing. Until the late 1970's the ratio was quite constant around 60%. This trend ended in the 1980's with a strong increase in the ratio. This increase continued into the 1990's, while it did start to slow down mid 1990's it picked up again in the early 2000's (see Figure 1). These gains over

the decades have been quite remarkable, from 1978 the gender ratio rose from 61.3% to 79.4% in 2003 (Blau & Kahn, 2007).

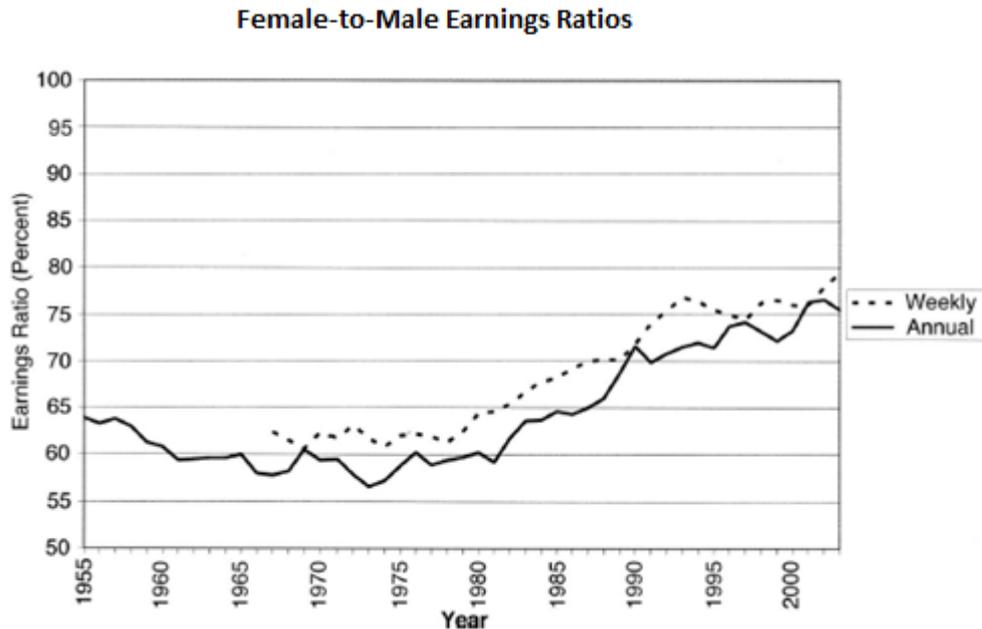


Figure 1: Female-to-Male Earnings Ratios of Full-Time Workers 1955-2003 (Blau & Kahn, 2007)

In this graph it is possible to see the fluctuations of the trends over the decades. In the 1950's women's earnings ratio was constantly decreasing, however from the 1980's onwards there was a strong and almost constant increase. In the early 2000's it is possible to see that women were then making approximately 75% of what men were earning (Blau & Kahn, 2007).

### 2.3 Female Gender Constraints

Despite having high education, business experience and confidence, many women continue to be affected by pay and promotion inequality. Some researchers have found that often with increased experience in the workplace comes an increase in the salary gap for women. As women become more successful their income falls behind those of successful men. The role of negotiation skills has been studied in order to try to explain this discrepancy between men and women, as this is a very important factor in decisions for job offers, promotions and therefore in determining pay. It is not enough, however, to solely teach women better negotiation and assertiveness skills, which was the method used in the 1970s and 1980s. Women do not lack these skills, in fact it can be argued that women have learned social normative lessons almost too well. It is

evident from many sources that some feel that women making requests for themselves is inappropriate and unfeminine behavior, which could be costly to them in the workplace. Some psychologists have identified different barriers to career development, which are also likely barriers to pay increases. Some examples of these barriers are internal, such as career orientation, family roles, and traditionalism in career decisions. These variables cannot, however, explain persistent gender pay difference for individuals with the same professions and ranking (Wade, 2001). The difference in men's and women's social roles can affect their advocacy behaviors. Some psychologists believe that when women are given such firm constraints, they conform to gender stereotypes and norms. This may affect what they need in terms of promotions or pay increase. Related to this is also the idea that female managers are often rated less favorably than male managers. Men and women with certain characteristics that are deemed masculine reach higher levels of company advancement than women who are thought to be feminine. Male managers' salary progression has been found to be higher than female managers' and this is likely due to discrimination. Women can also experience a double bind dilemma, even if they maintain a masculinized leadership role for themselves they still do not get the same benefits that male leaders do, and it can come at a bigger cost for them as well. When women ignore gender norms it can result in decreased likeability, which can in turn lead to decreased influence (Wade, 2001). Men are also more often viewed as 'default leaders' as opposed to women who are 'atypical leaders'. Studies have found that women leaders are often perceived as 'never just right', meaning they are believed to be either too tough or too soft on their subordinates. Although they will come across as assertive or competent if they are tough, they will not be well liked. Women in this situation always need to 'prove' that they can be leaders (Evans, 2011). All of these constraints on women may negatively influence their superior's decision to promote them or increase their pay, since they may be seen as less powerful or effective if they are not perceived as tough enough, as well as make it more difficult for them to negotiate their pay (Wade, 2001).

## 2.4 Pay Expectation

Even when women earn less than men, past research has found that women tend to be equally satisfied as men with their jobs and salary. It was Crosby in 1982 who described this as 'the paradox of the contented female worker'. This phrase was used to describe women's illogical satisfaction with their pay even if it was lower than their male counterparts. Pay expectation has come to be an important part of studying the gender wage gap (Iverson, 2000). Various studies have examined expectation of pay in relation to the gender wage gap. Some researchers believe that the difference in pay between men and women may be partly caused by differences in pay expectation between the sexes. If one has lower expectations upon starting a new job it can potentially lead to requesting a lower starting salary, and from there the individual may be less likely to seek raises or even find a new job due to dissatisfaction with salary. This can be a self-fulfilling prophecy, expecting lower pay can lead to actually receiving lower pay (Heckert et al., 2002). Job applicants who expect lower pay are often offered less pay than other applicants who are equally qualified but who had higher pay expectations and demands (Jackson, Sullivan & Gardner, 1992). Many studies have found that men do expect higher salaries than women, not only at the start of their career but at the peak as well. It was found that even when women had access to salary information they still expected lower starting salaries than men (Heckert et al., 2002). A famous study by Major and Konar predicted that women's pay expectations would be significantly lower than men's, not only at the start of the career but also at the peak. Their findings did support the hypothesis, males' expectations of entry salaries were about 16.5% higher than what females expected. The variance between career peak expectations was even greater with almost a 46% difference, with men expecting to earn almost \$20,000 more than women in their career peak (Major & Konar, 1984). Major and Konar created a model in 1984 in order to explain the gender differences in salary expectations. It is a five factor model which incorporates the Human Capital Approach to explain pay expectation differences. The first factor in their model is gender differences in career paths. Major and Konar found substantial gender differences on two factors in particular, specialty area and degree level (Heckert et al., 2002). It was hypothesized that perhaps women chose to enter lower paying occupations that were more female-dominated, or chose educational studies which

hindered their success in male-dominated jobs. They thought these gender differences in career paths could explain the gender differences in self-pay expectations (Jackson et al., 1992). It is also thought that women choose jobs with the possibility of flexible hours in order to better manage their family and household duties, and in doing so limit how much they are paid, their mobility and career advancement. Different majors of study and child-rearing plans may add to the gender differences in career paths, and therefore may make a difference in one's pay expectations (Iverson, 2000). The next two factors in Major and Konar's study were gender differences in objective job inputs, as well as self-perceptions of job inputs. The findings for both of these were less significant than career paths. Some of the variables they studied were performance expectations, perceived strength of background and training, qualifications for the job, expected effort and actual job performance (Heckert et al., 2002). Major and Konar stated that there was no difference between men's and women's objective job inputs, however there was evidence that women perceived they had lower inputs compared to men. Women often rate their performance expectations lower, evaluate their performance inferiorly and more often credit their successful performance as due to external causes, as compared to their male counterparts (Jackson et al., 1992). The last two factors held much more significance upon examination, the first being gender differences in comparison with others. There was a significant gender difference in the perception of others' career peak pay as well as pay upon entry, meaning there was a difference as to what individuals thought others earned in the same job as themselves. They did not, however, find the reason for the perceived difference in others' pay. There was speculation that it was due to individuals depending more on members of the same sex within a workplace as sources to find occupational and salary information, thus perpetuating the salary level. Women already tend to make lower salaries than men so by asking other women about salary information, they may enter the field expecting lower salaries to begin with (Heckert et al., 2002). The final factor in the Major and Konar model is the importance of various job characteristics. They focused on 10 important characteristics, some examples being interesting work, high status, friendly coworkers, salary and promotion. There was only one characteristic which women ranked as more important than men, which is interesting work, whereas for men two of the characteristics that are often more highly rated are salary and

promotion opportunities (Heckert et al., 2002). Many researchers have tried to answer the question as to why women seem to put less importance on pay than men, and this could be due to the characteristics they rank more importantly in the workplace. One idea as to why this happens is the match-to-reality explanation. This suggests that women and men in the same field should stress similar job aspects, but if they do not it can cause differences in self-pay expectation. Since men and women differ in their value on pay, promotion and interpersonal relationships, it may explain the variation in pay expectation (Iverson, 2000).

## **2.5 Maternity Leave**

The dynamics of the workforce has changed drastically over the years in regards to the increase in percentage of women working, and especially for working women who have children. In 1967 the percentage of married couples where only the husband worked was 36%, and in 2007 this had decreased to 18%. One of the main factors that affected this so greatly was the Pregnancy Discrimination Act (PDA) that was passed in 1978 in the United States. This was the first time women were protected after constantly being fired from their jobs for getting pregnant. Under this law, women are protected from being discriminated against due to pregnancy, childbirth or other related medical conditions. Another law called the Family and Medical Leave Act (FMLA) makes sure that both parents receive certain benefits, such as maternity and paternity leave. One condition for this is that the individual must have worked for one year and a minimum of 1250 hours during that year for the company. With the FMLA parents can receive up to 12 weeks leave with some form of payment during that time. The United States of America is one of only four industrialized nations in the world that does not have any parental leave policies. In the European Union, most countries pay between 80-100% of the leave, and Sweden has the most benefits with 69 weeks leave for both parents and 80% of the salary paid for the first 12 months. Some studies have shown, however, that long leaves can negatively affect women's careers and can potentially risk their upward advancement in a company. In countries that have shorter maternity leaves there were more women participating in management positions (Cabeza et al., 2011).

In recent years it seems that women have increasingly had to choose between their professional careers and their personal lives, whereas this is not the case for men. Most female managers are less likely to get married and have children as opposed to their male counterparts. In the U.S. only 14% of women who are managers are mothers of children under the age of 18. Studies have also found that even women with the same qualifications, experience, education and work hours as men earn less than males because they have children, and it is proportional to the number of children they have. The wage gap has been found to be larger between male and female managers when the female managers have children. In 2007 female managers with children earned on average 79 cents for each dollar earned by male managers who also had children, and women managers who did not have children earned 82 cents for each dollar earned by childless male managers. This can be partially explained through women accepting lower wages in order to have family-friendly jobs, as well as the loss of experience that comes with a long maternity leave. It can also be explained through the stereotype that the woman is in charge of the domestic responsibilities, which presumes a lack of domestic duties for men and therefore employers discourage male employees from taking paternal leave. Men also face societal pressure to be the breadwinners of the household and therefore have less time to dedicate to their families. Even when many factors are taken into account, such as hours worked, skill level, educational level and occupation, the gender wage gap still persists (Cabeza et al., 2011). Other studies have found that how strongly a woman's labour market outcome is impacted depends a great deal on her spouse's income. New mothers who have spouses with higher earnings than themselves have been found to reduce their working hours considerably more than mothers with spouses who are lower-earning. The birth of the first child only slightly and temporarily affects the earnings for a woman with a lower-earning spouse (Bertrand et al., 2010).

## **2.6 Icelandic Labour Market & Gender Wage Gap**

In this chapter the Icelandic labour market and women's participation within it will be discussed in detail, along with some of the changes that have taken place over the decades. In addition to this, the parental leave act and the VR union will be discussed and their effects on the gender wage gap will be examined.

### **2.6.1 Labour Market**

Iceland exhibits quite a gender equality paradox, on one hand it is the country that is ranked at the top of the World Economic Forum's Global Gender Gap Index and holds one of the top ten positions in the United Nation's Gender Inequality Index. On the other hand, there exists a rather large and persisting gender wage gap (Johnson, Einarsdóttir & Pétursdóttir, 2013). In Iceland the participation of women in the labour force has been increasing throughout the last decades. In 2005, the percentage of women working in the labour market was up to 77.8%, as compared to 74.6% in 1991, and unemployment rates were substantially lower as well. The same cannot be said for males in Iceland, with lower labour force participation rates in 2005 compared to 1991. It has also been found that men have decreased in working hours and women have increased (Arnarson & Mitra, 2010). Both men and women have always had high participation in the Icelandic labour market, it is one of the highest in the OECD countries (Organization for Economic Co-Operation and Development). The number of women who have full time jobs is increasing, and the level of education is quite high. By 2008, 65% of women had full time jobs and 90% of men worked full time as well. This gap shows that women are generally still responsible for the household and taking care of children. Due to the great economic crisis in 2008 the participation in the labour market decreased for both men and women, more so for men, and this led to higher unemployment numbers for both. Before the crash, the unemployment rate was around 1% in 2007, at the end of 2008 it had reached 4.8% and by 2010 it reached its peak at 9.3%. The unemployment rate was also higher for men than it was for women in 2010 (Gender Equality in Iceland, 2012).

Not only is there a high number of men and women working in the Icelandic labour market, the participation is high in all age groups. This is especially true among older Icelanders due to a later retirement than most other countries. In 2010, the percentage of individuals aged 55-64 who were employed in Iceland was 80.5%. This marks a great difference when compared to other OECD countries where only 54% of the same age group were employed. Another important characteristic of the Icelandic labour market is the high number of trade unions and the vast membership to these unions. In 2002 Iceland had the highest union membership in the Nordic countries with about 92.5% membership, and Iceland remained the highest until about 2008 when it decreased to

79.4%. This was due to the economic crash in Iceland where the trade union membership was at its lowest. This can be explained by a lower demand for labour, as well as having a decrease in workers in the labour market (Pálsdóttir, 2012).

### **2.6.2 Parental Leave Act**

In the Icelandic parliament, Alþingi, there was not much discussion of family policy until the 1980's. They then became aware of the need for a more holistic policy and in the 1990's this gained greater political attention. In 1994, a proposition for a family policy was put forth and this was influenced by the fact that it was the UN's Year of the Family. By 1997 the need for an explicit public family policy was formally recognized and a parliamentary resolution was passed. The aim of this was to strengthen the family in Iceland since it is such an important source of human values and therefore needed to be reinforced and protected, no matter what the family type may be. The principles of this family policy were threefold:

1. Welfare of the family is based upon equality between men and women and upon shared responsibility for the tasks within the family
2. Family is the setting for emotional ties
3. Family provides the family members, and especially children, security and the opportunity to fully develop their own qualities

Due to this policy there was growing attention amongst policymakers, employers and labour unions on the importance of balancing work and family life. Improvements were made from the 1990's and onwards, not only in family law but in gender equality legislation as well. One important example of this is the paid parental leave law that was passed in 2000 (Arnalds, Eydal & Gíslason, 2013). This law on paid parental leave stated that both men and women would each have three months of non-transferable rights to paid parental leave. They were also given three extra months of parental leave to divide amongst themselves however they saw fit. The mother must take her leave for no less than two weeks after her child is born, but both the parents can use their leave within the first year and a half after the child's birth. Even if the parents do not share residency with the child or hold custody, they are still entitled to their paid parental leave if they are in an agreement with the other parent. The paternity leave rights were gradually implemented, in 2001 the father had a right to one-month paid

leave, in 2002 they were awarded two months and in 2003 they gained the full three months paid leave. In 2004, there were changes made to the law and there was a maximum compensation that parents could receive during their parental leave. Severe cuts were being made to the welfare system, especially after the financial crisis of 2008. The maximum compensation was lowered three times from December 2008 to December 2009. In December 2012 the laws for paid parental leave were revised by Alþingi and the cuts were somewhat corrected. The leave period was also extended to 12 months, each parent being entitled to 5 months non-transferable leave and the last two months to be divided at their discretion. This increase has not yet been fully implemented and has been taking place in steps, it will be finished by 2016. The increase was delayed due to financial difficulties of the state (Arnalds et al., 2013).

One of the reasons that this law was created was so that children would receive care from both the mother and the father. This law is based on the idea of a dual earner/dual career model, meaning that both parents are involved in the labour market as well as raising their children. The second aim of this law was to enable men and women to organize their family life and employment. A study was done to see if this law succeeded in enabling both parents to care for their child. The data showed that the division of care between parents has changed significantly since the law has been enacted and that a higher proportion of children now receive care from both parents. It is important to note as well that the law also pertains to those adopting or permanently fostering a child (Arnalds et al., 2013). The difference between men and women's labour force participation rates can be potentially explained by the parental leave act. This act may be allowing women to have more freedom in the labour market and to gain more experience, therefore giving them increased access to higher paying jobs, and they would have more time to commit to longer working hours. Through this they would also have fewer career interruptions, allowing them to work the same number of hours as their male counterparts and therefore would not be minimizing their work experience. Now with the possibility for Icelandic men to devote more time to their children, women are left with greater opportunities in the labour market, as well as giving men the opportunity to share in the household duties. It also possibly reduces the discrimination some employers have who may be hesitant in hiring a woman who they believe will soon take maternity leave (Arnarson & Mitra, 2010). The creation of

this law also ensured the protection of employees going on paid parental leave. An employee cannot be fired after telling the employer they plan on taking parental leave. There is one problem that arises which reinforces the gendered division of labour. In Iceland parents currently receive nine months paid parental leave, however preschool only begins when a child is two years old. More often than not it is the mothers, rather than fathers, that have to extend their work leave or work part-time in order to be able to care for their children. This only strengthens the gendered division of labour and showcases some of the difficulties women have still in the labour market (Arnalds et al., 2013).

### **2.6.3 VR Union**

Iceland is no different than most countries in the world, women in many organizations are not receiving fair wages compared to the men working for the same company. One important difference, however, is that the gender wage gap in Iceland has been getting progressively smaller over the last few decades. In 1985 women earned 49% of what men did and this improved to 63% by 2006 (these percentages have not been adjusted for any variables). One of the largest unions in Iceland called VR (Virðing Réttlæti) performs a yearly study regarding the wages, hours worked and other factors amongst its union members. They also calculate the gender wage gap of their members, which is unadjusted as well. It is apparent that since 1997 the gender wage gap has been narrowing (Arnarson & Mitra, 2010). In fact it was measured at 8.5%, which is the first time it has been under 9% since VR has started measuring the gender wage gap. Since 2000, the difference in total pay between men and women has declined by approximately one third, and the gender wage gap has decreased by more than 40% (See Figure 2).

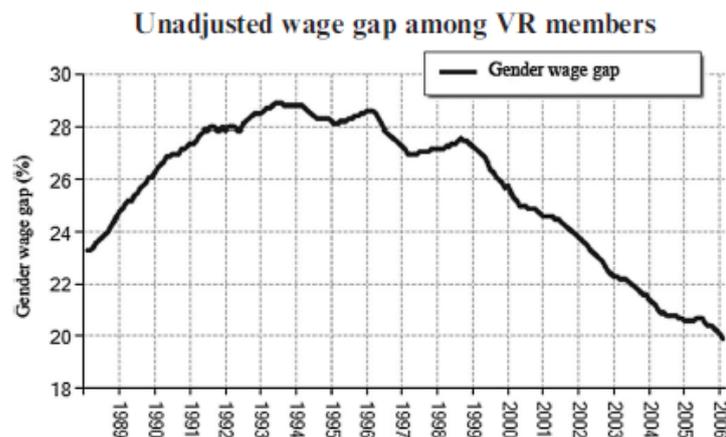


**Figure 2: Gender Wage Gap within VR 2000-2014 (Launamunur kynjanna, n.d.)**

In this figure it is possible to see the trend of the gender wage gap amongst the VR union members in the last decade. In 2000, it was around 15.3% and by 2014 it decreased to an 8.5% wage gap (Launamunur kynjanna, n.d.).

In 2000, the wage gap was around 15.3% and decreased to 8.5% by 2014. Over the years VR has been working to promote gender equality in the labour market and it is evident that they have been achieving results. On average, the men working full-time and who belong to the VR union earn 575,000 kronur total pay per month and the women earn 499,000 kronur. The main difference between the wage earnings of men and women is the number of hours worked, with men working an average of 45.1 hours per week and women 42.2 hours. Without taking this or other factors into consideration, the wage difference is 13.3% for VR members. There also seems to be a difference in the wage gap depending on age and industry. The largest difference is found amongst members who are between 35-44 years old, where women have about 10.3% wage gap compared to men. There is less variance among older members, for those 55 years and older the difference is only at 5.5%. For managers and professionals there is less variation than there are for employees in sales, retail and services. VR also measures attitudes towards gender equality of their members. Compared to previous measurements, they have found that attitudes have improved in terms of gender equality in opportunities and treatment. Three out of four employees believe that men and women in similar positions receive the same wages, the other quarter still believes men make more though. Interestingly enough, 91% of the men believe the wages are

equal but only 62% of women believe so. Responses are also different when comparing the size of companies, in a smaller company with less than 20 employees over 80% of the employees agree that there are equal wages. In companies with over 500 employees, however, only 63% believe there are equal wages. This is also the same in terms of equal opportunities for career advancement, in larger companies more men than women believe there is equal chance of advancement. Now 73% of individuals feel there is equal advancement, as compared with only 64% in 2005. VR has been working hard to minimize the gender wage gap and inequalities as much as possible and change attitudes towards this issue. It is possible to see that their efforts have been greatly improving the gender wage gap, as can be seen in Figure 3 (Launamunur kynjanna, n.d.).



**Figure 3: Unadjusted wage gap among VR members (Arnarson & Mitra, 2010)**

This figure shows the percentage of wage gap among VR union members in its unadjusted form. In the 1990's it is possible to see that the wage gap increased to about 29% but has been decreasing significantly since then. It was estimated at around 20% in 2006 and shows how far VR union has come in attempting to decrease the gender wage gap (Arnarson & Mitra, 2010).

The VR union has been deeply invested in gender equality for many years now and is very persistent in trying to help women achieve equality, not only amongst their members but for all women in Iceland. In 1999, VR put forth a new law for their members in order to ensure women taking maternity leave would earn 80% of their salary, this law took effect in the beginning of 2001. They also made sure their own organization ensured gender equality and equal rights within the office. VR also

emphasized the importance of being able to work from home and having flexible working hours. Since 1999 VR has also been involved in television and newspaper advertisements in order to create awareness of the gender wage gap. These ads received a great deal of attention because they encouraged women to assess their work qualifications and to negotiate higher wages. In 2005, VR also had extensive ad campaigns about gender equality that attracted national attention. In recent years they have continued to campaign and have also focused a great deal on reaching the younger age groups in high school and university in order to teach them about equality. They have also created workshops and lectures to teach workers how to better negotiate their salaries and to help prepare them for interviews. During 2001-2003 they offered courses on leadership for women, which discussed topics such as career goals and role management. A special brochure was also created and was aimed at young women who were taking their first steps in the labour market in order to teach them about gender equality. VR has been working very diligently in order to correct the gender wage gap and gender equality in Iceland and has made a noticeable difference (Hvað hefur VR gert?, n.d.).

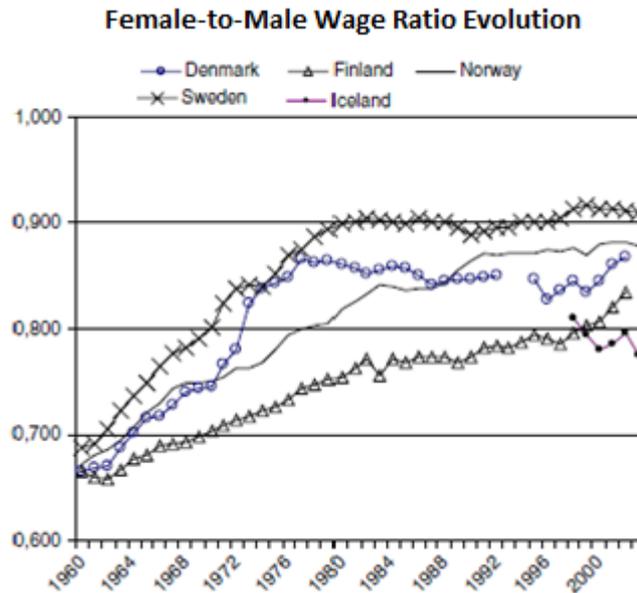
## **2.7 Europe vs. Iceland**

In this chapter there will be an overview of how the Icelandic gender wage gap and labour market relates to other countries, first specifically to the Nordic countries, followed by countries in the European Union. The EU initiatives in minimizing the gender wage gap will also be discussed.

### **2.7.1 Nordic Countries**

The Nordic countries are considered the forerunners in creating family-friendly policies. These countries include Denmark, Norway, Sweden, Iceland and Finland. Their state commitment to family-oriented policies began many decades ago as a response to the conflict between employment and motherhood. This has enabled them to maintain a high percentage of female labour force participation and, unlike many other countries, keep the fertility rate stable. They are also considered to be leaders in equal opportunities for men and women, as well as women's high rank in society and labour market. These countries were some of the first to give equal pay by law, however this is not the case for all Scandinavian women. With the increase of women participating in

the labour force, the welfare states have improved as well. Since more women have been able to leave the household in order to work there has been an increase in public services, such as a high amount of publicly subsidized child care. This has increased the taxes in Scandinavia to some of the highest in the world, but despite this they remain some of the richest countries (Gupta et al., 2008). As mentioned above with Iceland, the other Nordic countries have also implemented paid paternity leave. This was done in an attempt to bring about gender equality. It is very prevalent that in many countries fathers are given a very short paid paternity leave, usually consisting of one or two weeks of vacation after their child is born. In Scandinavia, the fathers have non-transferable leave rights in which they can decide if they want to stay home with their child for up to a few months. Since these are non-transferable leave rights, they are not able to transfer this time off to the mother of the child. This policy attempts to create gender equality and develop a society where men and women have equal rights, opportunities and duties. The policy makers in Iceland and Sweden strongly believe that this is the key to gender equality (Haas & Rostgaard, 2011). Other studies have found that family-friendly policies such as these have had an effect on women's position in the labour market, however. Parents are entitled to long leave periods and are well compensated for them, and due to job rights they are able to return to their previous jobs. Women are still the majority of those who are using these long parental leaves and it is possible that this is lowering their position in the labour market. For example, in Sweden and Denmark there has been stagnation of the gender wage gap, as well as high drawbacks on the women's wages, since these policies have been introduced. The Nordic countries have some of the lowest gender wage gaps, which can partially be explained by union goals to create equal wage policies. In most of the countries, the relative wage ration has been relatively stagnant since the early 1980's. The data for Iceland does not go as far back as the other Nordic countries, but it is found to have the largest gender wage gap of these five countries (See Figure 3) (Gupta et al., 2008).



**Figure 4: The Evolution of Female-to-Male Wage Ratio in the Nordic Countries (Gupta, N. D., Smith, N. & Verner, M., 2008)**

Through this graph it is possible to see the comparison of the Nordic countries and their female-to-male wage ratios, as well as their individual evolutions over time (Gupta et al., 2008). It has been found that having higher rates of unionization has the tendency to reduce the wage dispersion among men and women, especially with more centralized bargaining. When there is highly centralized wage bargaining, female wages tend to increase relative to men's wages and this then reduces the gender wage gap (Aláez-Aller, Longás-García & Ullibarri-Arce, 2011). As mentioned above, Iceland has some of the highest rates of trade unionization which could possibly be allowing the gender wage gap to decrease and give women higher salaries (Pálsdóttir, 2012).

It can be difficult to compare the Nordic countries to other European countries due to different socio-economic scenarios. In the Nordic countries, and especially in Sweden, there is a 'universal breadwinner' model which means there is high participation and long part-time or full-time hours, and high-employment continuity for both females and males over the courses of their lives. Other models include 'modified breadwinner', 'exit or full-time' model, and 'maternal part-time work'. In France, the modified breadwinner model is predominant, where motherhood is associated with withdrawals from the labour market, otherwise mothers are working and are full-time employees. Italy and Spain use the exit model where fewer females are employed, but

when they are they generally work full-time. Maternal part-time is most common in the Netherlands, Germany and the United Kingdom where motherhood incurs a drop in the employment rate, and part-time hours are the norm for mothers. These differences arise because of various policies and cultural models in each country. The Nordic countries generally have a cohesive set of strategies for time and income management as opposed to other countries, which tend to be more disorganized in these matters. One study examined 26 European countries and took all of these differences into account when examining the gender gap. The data is taken from 2007 but it shows that the Nordic countries were all in the top six positions for the Global Gender Gap Index (GGGI) rankings, with Sweden in first, Norway in second, Finland in third, Iceland in fourth and Denmark in sixth. This is due to very different labour market policies that the Nordic countries have compared to the rest of Europe. It was also found that Norway had the highest presence of women in the highest decision-making positions compared to the other countries, as well as the lowest levels of discrimination (Castellano & Rocca, 2014).

### **2.7.2 EU Initiatives**

In order to examine the gender wage gap and compare countries many factors need to be taken into account. It is difficult to compare them because of different economic, social and cultural frameworks. Because this is a multidimensional phenomenon, different aspects need to be combined and comparison needs to be made according to gender inequality, rather than female empowerment. In 2006, the World Economic Forum created a fundamental contribution to this subject, they introduced the Global Gender Gap Index (GGGI). Since then, the index is calculated every year and includes many countries. This index is able to examine many gender-based discrepancies on economic, education, political and health based criteria (Castellano & Rocca, 2014). Within Europe, the EU has taken on a big role in supporting gender equality. In 1975 a new legislation was put forth in order to provide equal pay for work of equal value. This was the Equal Pay Directive, and it enabled pay rates to be compared even with sex-segregated jobs. Even with this new legislation, however, implementation is not always the same in each country due to different national rules and norms. The evaluation of jobs has involved some bias which has possibly hindered the progress toward equal pay.

This takes more of a mandatory approach and does not necessarily fit with the employment and social policy fields, which often use a soft law approach. It is very unlikely that one solution to gender wage gap fits all of the varied institutions across the EU. Soft law approaches are often more flexible and different policies are developed for the different institutions. In cases such as this, there is little incentive for change when a country's administration does not follow European initiatives for change. Further attempts have been made to minimize the gender wage gap, such as the 2008 Resolution of the Pay Gap by the European Parliament. This called for a wider focus than just looking at hourly pay, it was intended to improve existing legislations and raise awareness. In 2009, there was an information campaign teaching about the gender gap. This went across the EU and later to the Member States in 2010. An important part of battling the wage gap in Europe has been to involve social partners (Smith, 2012). Many studies have been done comparing European countries in order to examine the gender wage gap. One in particular study from 2007 examined 27 different European countries in order to have a vast array of data to compare and search for possible 'glass ceiling' or 'sticky floor' effects. In this case, the gender wage gap was positive and significant in all of the countries. It is also possible to see that certain job characteristics are important when examining wage gap, for example industry, occupation and hours worked at a job. It was found that women who worked full-time hours at full-year jobs had a stronger disadvantage. This study took into account only those working full-time and full-year, and Iceland had the highest annual male and female earnings (€59,026). It was found that Cyprus and Estonia had the highest wage gaps, the Scandinavian countries were in the middle, and Italy and Spain had relatively low gaps. Eleven of the countries exhibited significant glass ceiling effects, however Iceland only met one of the three criteria and therefore did not strongly represent a glass ceiling effect. The researchers believed that the maternity variable has the most ambiguous effect on the wage gap. Long and well-paid maternity absences may create long leaves from the labour market, causing employers to be reluctant to provide on-the-job training. This may hurt women's careers, as well as give them lower wages when they return to work (Christofides et al., 2013). A later study done in 2010 assessed the persistent pay disparity and found an average of 16% across the EU.

Estonia continued to have the largest gender wage gap at almost 30%, whereas Slovenia had the lowest at about 4.4% (Smith, 2012).

Attempting to compare and explain the gender wage gap on an international level can be a daunting task. There is often a lack of standardized databases and this can make it difficult to make comparisons. One study comparing 13 EU member states used the European Community Household Panel (ECHP), which had very valuable information on these particular countries. The sample from this study consists of data from more than 70,000 households and more than 150,000 interviews with individuals so it has many advantages. Upon examining specific national situations of gender wage it is possible to see that the wage dispersion within each country plays a big part in explaining the gender wage gap. In recent decades, the wage dispersion has greatly increased and is expected to continue to do so. The study takes into account a wide range of situations that exist in the different EU member states in order to make comparisons. Many studies have found that women often lack in work experience due to time taken out of their careers for their families. In some countries, however, this is changing and women are joining the workforce earlier and even older cohorts of women (such as those aged 55-65) have a parallel working span compared to men. In general, however, women's participation in the work force depends greatly on the country, except amongst university graduates who have a similar rate of participation. There is benefit in investing in human capital, with higher education and a longer time in employment comes an improvement of the position of workers in the labour market, which in turn leads to higher wages. The countries in the study varied a great deal in the participation of women in the labour force. There is a part of the wage gap that can be explained by the differences in characteristics considered to be productive. This creates gender wage discrimination, which can account for over half of the gender wage difference in most countries. An example of a difference in characteristics is that often women tend to be employed more in short-term or part-time employment. This study found that there is a connection between the public sector of the labour market and gender pay discrimination. In the public sector, the gender pay discrimination is much lower, and this may be why women tend to work more in the public sector of the economy. The researchers found that part-time or short-term employment had very little influence on the gender wage gap in general but there is a greater effect on the

gender wage gap for part-time or short-term working women over the course of their working life. In many of the countries it was apparent that the gender wage gaps differ greatly when examining both the public and private sectors of the economy, so it is important when looking at the gender wage gap that many of these characteristics be taken into account (Aláez-Aller et al., 2011).

### **3 Methodology**

The research question for this study is what methods does an Icelandic financial institution undertake in order to tackle the gender wage gap? This chapter will discuss the research methods used for this study in order to answer this question, as well as the procedure taken to obtain the data, the participants and some of the limitations of this study. The case of the financial institution under review will also be discussed in further detail in regards to some of the solutions and initiatives being taken to fix the gender wage gap and gender equality issues at the institution. Some examples of these are creating the gender equality committee, engaging specific focus groups to hear back from the employees, signing the UN Equality Treaty, attempting to obtain equal wage certification in order to follow the equal wage standard in Iceland.

#### **3.1 Research Method**

The purpose of this study is to examine the gender wage gap at one of the financial institutions in Iceland, and to discuss the methods being used in order to correct this problem. Since the financial institution has an unexplained gender wage gap of 8% it seemed necessary to examine the solutions being used to tackle this issue. The researcher became aware of this problem through a family member who was working at that particular financial institution. She was interested in finding out if anything was being done to fix it and if so, what particular measures were being done to end the gender wage gap. The next step for the researcher was to be put in contact with the human resource manager at the financial institution in order to see if a collaboration would be possible. It was then agreed upon and the financial institution was willing to take part in this study and provide data to the researcher in order to study their gender wage gap and what was being done about it. The data was to remain confidential and anonymous, with no mention of which financial institution is under review or who the human resource manager is. The researcher signed a confidentiality statement to ensure that she would abide by this. Meetings were set up between the human resource manager and the researcher by email. There were three separate meetings that took place, the first on October 17, 2014 to discuss some background on the issues

at the institution, then on November 10, 2014 to sign the confidentiality agreement, and again on March 13, 2015 to receive further data. All of the data was sent to the researcher by email, along with one pamphlet in the mail about the financial institution.

The research method used for this study is qualitative research. This type of research was used in order to examine the issue with the whole picture in consideration. Many different perspectives and theories were examined, as well as data from other countries, in order to create a clear image of the gender wage gap and what could be done to fix it.

### **3.2 Participants & Data Analysis**

The participants of this study are the workers at the financial institution. There are just under 1000 employees working there and the participants come from all of the departments within the financial institution. In 2012 there were 67% women working there and 33% men (personal communication with HRM, 23/10/2014). All of the employees regardless of department take part in the annual workplace assessment audits, however only certain individuals took part in the focus groups. One group was made up of only female managers, but the other two focus groups consisted of both men and women from various departments. The participants remained anonymous in the questionnaires and their identities were not given to the researcher in order to ensure anonymity (personal communication with HRM, 20/10/2014).

The data for this study was not collected by the researcher but from the internal informant within the financial institution. This is one of the human resource managers who helped the researcher with this project and provided all of the data that was used in regards to the institution, and as mentioned above it was to remain anonymous and confidential. The financial institution sent out their own workplace assessment audits to see how the employees viewed different aspects of working at the bank. Questionnaires were given to the employees in order to obtain this information. The human resource department then compiled the data from the audits in order to compare it with the information from previous years. The data from the focus groups was also compiled by the human resource manager and sent to the researcher. All of the data that was specific to the financial institution was sent to the researcher from the human resource manager. The data from the assessments was quantitative as it

was mostly percentages and comparisons over the past years. The results from the focus groups were qualitative and descriptive in nature.

### **3.3 Procedure**

The researcher first became interested in the idea of the gender wage gap in Iceland since Iceland ranks very highly in the world for gender equality. An acquaintance informed the researcher about the gender wage gap at a specific financial institution in Iceland, and then got the human resource manager in touch with the researcher to collaborate on this project. The human resource manager was more than willing to help with this research and sent a great deal of data concerning this issue to the researcher. The project commenced late fall of 2014 and the researcher began meeting with the human resource manager of the institution. A confidentiality waiver was signed by the researcher in order for the financial institution and the human resource manager to remain anonymous. The researcher began writing the report in January 2015. Data for the annual workplace assessment audits in 2015 was not yet available as the results would only be ready in June 2015 so unfortunately the study is not be able to include them. The equal wage certification process was also underway and the results would not be ready in time for the publishing of the study on the financial institution.

### **3.4 Limitations**

The gender wage gap is a complex issue that remains present in many countries across the world. This study is important and provides valuable information to those interested in some of the methods that can be used to eradicate the gender wage gap. Many different perspectives were discussed, as well as many different studies that had measured the wage gap, giving an extensive view on the matter. While this is a large and important part of the study, it can also be seen as one of the limitations. Making comparisons between countries and even amongst various studies can be a difficult task. Many of the different researchers and studies use different methods in order to calculate the gender wage gap. This can make it difficult to make comparisons between them because they are not all equivalent. Some studies report unadjusted wage gaps, while others use adjusted, or they use different calculations or questions in order to obtain the information. For that reason caution must be taken when examining the gender wage gap across countries.

A second potential limitation also relates to how research on the gender wage gap is carried out. Depending on the variables that are measured, the results can be very different for each study. It is possible that part-time work can affect the results if it is not taken into consideration. If the hourly wage is the base variable for measuring the gender wage gap it could greatly change the results. The hourly wages of part-time workers could be lower than that of full-time workers, and very commonly the proportion of women working part-time is greater than men. This could very much affect the gender wage gap measured by some of the studies and therefore would make them incomparable. The gender wage gaps calculated may also differ depending on individual countries' rates of female employment and the difference of the gender wage gap throughout the working life cycle. There is evidence from previous studies that the gender wage gap tends to increase parallel to the age of the woman. The countries where the average age of employed women is higher and who have high rates of female employment may see higher gender wage gaps. All of these differences may make it difficult to compare studies on the gender wage gap (Aláez-Aller et al., 2011).

### **3.5 Financial Institution Initiatives**

This section will discuss some of the solutions the financial institution undertook in order to correct their gender wage gap. In September 2013 their unexplained gender wage gap was calculated at 8% and in an attempt to fix this they have used certain initiatives. Some examples of these were to create a gender equality committee, having focus groups to hear what the employees had to say about this matter, and they signed the UN Equality Treaty. Furthermore, they are in the process of obtaining the equal wage certificate in order to follow the equal pay standard.

#### **3.5.1 Gender Equality Committee**

In April of 2011 a new committee was appointed in the financial institution under review. This is the gender equality committee and it consists of five members from various departments and who have different specialties. The Gender Equality Committee is in charge of making sure that all the goals set about gender equality are followed. There are guidelines and principles that have been made to ensure that there is gender equality in this institution. The committee is generally promoting these principles, but it is the responsibility of the managers to make sure these changes

happen within the workplace. They work on behalf of the bank manager, and together they have the responsibility of tracking the progress in gender equality issues. Their first assignment was to remake the gender equality policies, and the new strategies were accepted by the CEO and top managers and put into place on June 21, 2011. The committee members have regular meetings with the bank managers and the board members and have found that there is a greater interest in the gender equality and status of it within the bank. Under Icelandic law, companies and establishments that have 25 employees or more have to create their own gender equality policies within their organization, or they need to implement them into their already existing regulations (personal communication with HRM, 23/10/2014).

One of the main gender equality policies of this financial institution is to maximize their human resources by ensuring equal opportunities and employee benefits for both males and females. They want to make sure their institution is a sought after workplace for both sexes and that it is a place where their staff can flourish, regardless of gender. It is made very clear at this institution that any kind of sex-based discrimination is not only against their policies but it is against the law. The following are some of the guidelines of their gender equality policies:

- Positions available within the institution should be open for both sexes
- Two individuals who deliver equally valuable work should be paid the same amount, and when salaries and benefits are being decided there should be no difference between men and women
- The gender of an employee should have no effect on opportunities to excel or progress up the corporate ladder within the organization
- There should be gender equality in all committees and work groups in order to have input and valuable viewpoints from both genders
- Both men and women should be equally encouraged to use their parental leave, and they should both be able to balance occupational and family obligations as much as possible

These are some of the guidelines that managers and employees are supposed to keep in mind in the workplace in order to have gender equality. One of the first things the gender equality committee did was to compile the data on all the employees and how

many women and men were working there and which positions they occupied. Overall there were 67% women working there and 33% men. Depending on the department, the ratios between men and women were very different. For example, 100% of the staff in the internal auditing department were women, while in the IT department there were 75% men. Having so many employees in the financial institution makes it especially important for the committee to have gender equality guidelines. They are attempting to create awareness amongst all their employees in order to have a comfortable work environment for everyone where anyone can strive to hold any desired position, without being held back due to their gender (personal communication with HRM, 23/10/2014).

### **3.5.2 Focus Groups**

Despite having a gender wage gap of 8% this institution has been using various techniques to improve the problem and to improve overall gender equality. The CEO has acknowledged that this is an issue and is personally involved in trying to fix it. Several lectures were held during the year in relation to gender equality. The Equal Rights Committee held two lectures over the year, one announcing and explaining the results from the equal pay audit, and the other on equal rights principles. The CEO also gave a lecture on the results from the PWC equal pay audit. As mentioned, workplace assessment audits have been done annually in order to have a good understanding of how employees feel about certain issues within the institution, especially relating to equality. After reviewing the results from the most recent audits, it was decided that focus groups would be arranged in order to hear more regarding the employees' thoughts about these matters. Three different focus groups were arranged with the CEO between June and December 2014 and they consisted of mixed groups, not only by gender but by departments as well, and one group comprised of only female management. Many issues were discussed and employees were asked if they knew about the initiatives being taken to promote gender equality (personal communication with HRM, 13/03/2015). It became obvious that there was a lack of knowledge of how the bank was attempting to solve these issues and that it needed to be made clearer. The members of the focus groups agreed that human resources needed to create more awareness for the gender equality committee, their equality policies, and better review

what has been happening over the year. One of the ideas to improve upon this was to create special incentives and mentoring to strengthen women and to make the women of the bank more visible. There are many good role models and capable women working in the bank and this needed to be made more evident by using them to their full potential. One way they decided to improve women's empowerment was to have courses in bonding and courses for managers to encourage their subordinates and women in their departments, which would also help everyone to see the benefits of mixing men and women in the departments. The women in the focus groups thought that the attitude towards women in the bank needed to change, they felt as though there was respect missing. The mentoring program would help to fix this and encourage the women working there. It was also decided to use female employees more often as representatives not only within the bank but outside as well, such as sending women to other organizations as representatives of the bank. All of these incentives would hopefully improve the attitude towards women at the bank and change the masculine culture into an egalitarian one (personal communication with HRM, 13/03/2015).

### **3.5.3 UN Equality Treaty**

Another step this financial institution took towards fixing the gender wage gap and gender equality was to sign the UN equality treaty in May 2014. This is formally known as the UN Women and the UN Global Compact Stand for Equality Treaty, which includes principles for women's empowerment. The treaty uses seven criteria in order to guide organizations to implement responsible practices and empower the women working there. It is a powerful tool to enable full participation of women in the workforce. These are the seven criteria of the treaty that organizations must abide by:

1. Promote gender equality
2. Equal opportunities at work
3. Health, safety and violence-free workplaces
4. Education and training
5. Enterprise development, promoting increased participation of women
6. Leadership in social responsibility
7. Transparency, operations and information disclosure

Through this treaty, the organization will focus specifically on gender equality and how they can promote it. Human resource management also must evaluate the performance of their company concerning this and take into account gender equality in all policy planning and implementation. Employee recruitment must be done without consideration of gender and men and women must be paid equally for equal work. There also must be at least 30% participation of women in decision-making, as often as this is possible. It is also important that women are encouraged to participate in traditionally male jobs in all levels and areas of the company. Signing the UN equality treaty is an important step for organizations in order to ensure they have gender equality not only in the workplace but also in creating awareness to employees and the general population (Jafnréttissáttmáli UN Women, 2014).

#### **3.5.4 Equal Wage Certificate**

The struggle to have gender equality in the labour market has been going on for many decades. There were laws created for equal pay between men and women in 1961 and then fifteen years after that initiative the first proper gender equality laws came into place. There has been much progress in this domain yet there still remains much to be done. This ongoing battle is trying to improve human rights in regards to the equality of wages, and the interests of both workers and employers are taken into consideration (Jafnlaunavottun VR, n.d., b). One of the major initiatives this financial institution is taking to improve the equality is to try to obtain the Equal Wage Certificate (jafnlaunavottun). After the equal pay audit in September 2013 proved that there is an unexplained 8% gender wage gap, the decision was made to use this new method to try to correct the gap. The preparation for this certification began in the autumn of 2014 and should be finished by June 2015 (personal communication with HRM, 13/03/2015). The equal wage certification was introduced in February 2013 and since then over 20 companies have gained certification from it. The purpose of this is to ensure that a company meets the requirements of Equal Pay Standards of Iceland, which is that men and women working for a company will receive equal pay and equal terms for the same work. Organizations that have been certified by the equal wage certification have been found to have a more positive attitude towards gender equality than companies who have not undergone the certification. Salary surveys done by VR show that in certified

companies a higher number of employees believe they are being paid the same salary as compared with uncertified companies, as well as when employees are asked about equal career opportunities (Launamunur kynjanna, n.d.). The first step for companies who want to receive equal wage certification is to fill in an application from VR. This will then be sent to BSI á Íslandi, the British Standards Institution in Iceland, and a service contract will be created. This ties the company to BSI for three years in order to complete the salary review and have follow-ups. The certification process occurs in two stages, in the first part all the data is acquired and checked according to the requirements of VR. The data will then be checked by random sampling to make sure it meets the requirements. If the organization passes this then they will receive the equal wages certification which confirms that they have equal wages. This certificate is valid for three years after the certification audit if the company continues to meet the requirements of VR and the equal wages certificate. All organizations that have more than 20 employees can apply for this certification, regardless of their involvement with the VR union. It is possible to request a pre-evaluation to check if the organization follows VR's criteria. The work must be according to current wages available from BSI á Íslandi. The pre-evaluation does not have any effect on the evaluation itself but can help the organization under review to correct any problems before the real evaluation takes place. Companies who become certified will then continue to monitor the wages to make sure the wages remain equal between men and women (Jafnlaunavottun VR, n.d., b).

### **3.5.5 Equal Pay Standard**

Attaining the equal wage certificate is a good way for companies to make sure they are meeting the requirements of the Equal Pay Standards (jafnlaunastaðall) in Iceland. These guidelines were issued in Iceland in December 2012 in order to have a system for standard wages (Jafnlaunavottun VR, n.d., a). The Equal Pay Management System, most often called the Equal Pay Standard, was published by Icelandic Standards in order to create a system that could prove that men and women working in the same organization would be paid equally and would have equal terms of employment, if they had the same job or the job of the same value. These standards began to be developed in the fall of 2008 by the Ministry of Welfare, the Icelandic Confederation of Labour and

the Confederation of Icelandic Employers. The Icelandic Standards (IST) was supervising the project as a whole. Through this cooperation a Technical Committee (TC) was established, which included the sponsors of this development. A working group was set up and a group of experts in different fields were referred to in order to write the draft of the text. The first step towards certification is an assessment of current pay policies. All the jobs in the organization then need to be classified according to equal value. Research will be done on the existing wages based on this new classification and policies regarding pay decisions. All of these changes will be monitored and regularly checked by the management of the organization. Once all of these changes have gone through the company can apply for certification that they have equal pay between genders. The standard is not imposed upon any organizations in Iceland, in fact it is voluntary to take part in it. Companies decide themselves if they will use it, the main purpose is to gain certification of equal pay management systems. The standard itself is a process that companies follow to be able to guarantee that there is equal pay for men and women. It helps organizations to use professional techniques to make payment decisions, improvements on what is not working, and then make proper reviews. Any company can use the standards, regardless of size, type of organization, or their gender ratios. Gaining certification can be very rewarding for an organization. Not only will it improve their pay policies, it will prevent and get rid of discrimination within the company. It can also help their image to the public because they will be known for having fair payment for men and women (Equal Pay Management System, n.d.). The equal pay standard is the first of its kind and already 20 major companies have gotten certification of equal pay with hopefully many others following in their footsteps. In order to be successful it is anticipated that 300-400 of the largest companies would become certified, this would be over half of the biggest companies in Iceland. Gaining certification would be very beneficial for the Icelandic financial institution, not only would having equal pay be more fair for their employees but it could help greatly to change their image for their clients and future customers as well. More than ever companies are also expected to prove that their pay structure is fair, so this is an efficient and easy way of doing so. The certification firm BSI á Íslandi is carrying out the audits for now, but they have been working with VR on this program. Their goal is to have a joint logo for those who become certified to have proof of certification, and an

independent third party would administer the audits. It is hoped that the other Nordic countries would follow Iceland's lead and use this certification as well for their companies. This would allow for the possibility of it spreading throughout Europe as well. It is acknowledged that this could take a while, however, since it is a voluntary program. They feel that gender equality will not be gained through force but rather through voluntary agreements, so the certification will remain on a voluntary basis (Preisler, 2014).

## **4 Findings**

In this section the findings on the gender wage of the financial institution will be examined and explained in detail. The employees' perceptions on the gender equality will also be discussed in order to have a complete assessment of the problem.

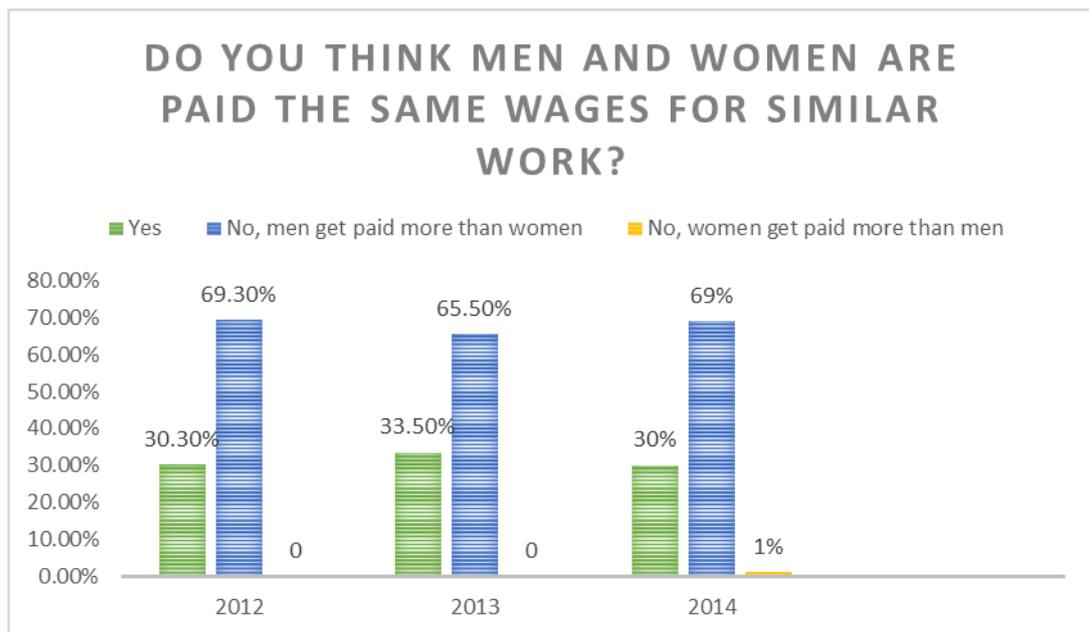
### **4.1 Workplace Assessment Audits**

One of the financial institutions in Iceland has been facing the issue of gender wage gap for some years now. With just under 1000 employees working there it has become apparent that this is a serious problem. The atmosphere at this financial institution has been described by some employees as a 'masculine culture' (personal communication with HRM, 20/10/2014), although in 2012 67% of the workers were women (personal communication with HRM, 23/10/2014). In fact, in 2014 women made up 47% of management. The human resource management is trying to correct this through various approaches. They became aware of the problem through their yearly Equal Pay Audit. In September 2013, the gender wage gap was calculated by PWC using the equal pay audit and it was revealed that men were paid 8% higher than the women in this institution. Many factors were taken into account when calculating the gender wage gap, such as age, length of employment, education, position, etc. and the results were revealed in May 2014. The institution also did research on the issue through their annual workplace assessment audits. These audits ask their employees several questions on their viewpoints of the gender equality and wages at the bank and have been performed since 2012. It was clear that not all employees at the bank were satisfied with the situation. This is especially true when considering the wages at the financial institution, not everyone believed that payment was equal between the men and women. The audits ask the employees three main questions related to gender equality at the bank.

1. Overall, how satisfied or dissatisfied are you with the status of gender equality?
2. Do you think men and women have equal opportunities for career development?

### 3. Do you think men and women are paid the same wages for similar work?

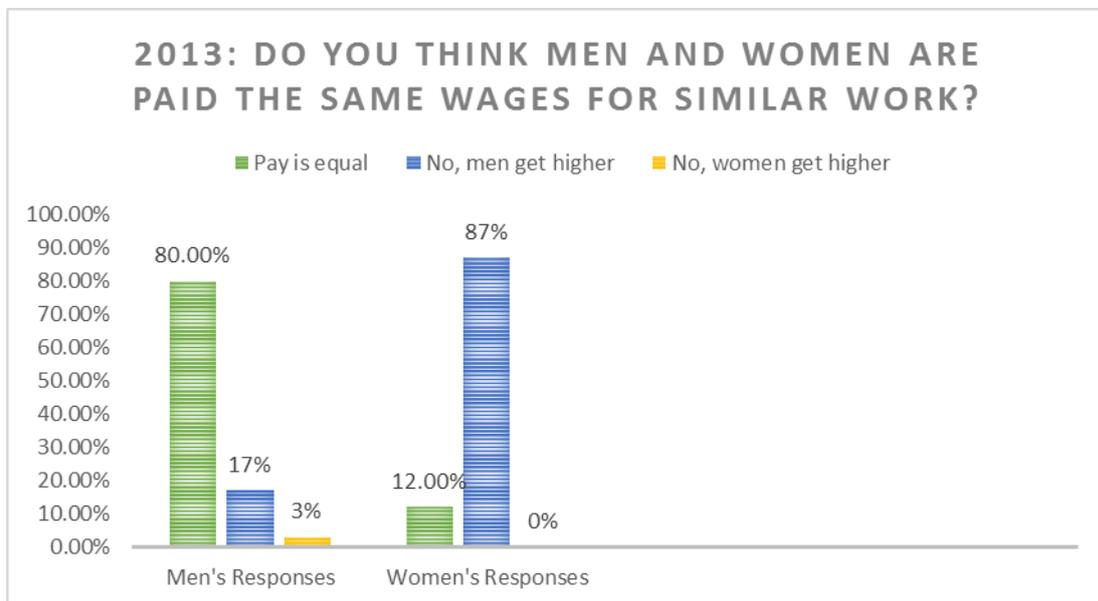
From the responses over the last few years, it is clear to see that employees at this financial institution were quite satisfied with the overall gender equality. In 2014 40% said they were quite happy, in 2013 39% were quite happy and in 2012 it was at 38%. There was quite a large percentage each year, however, who were neither satisfied nor dissatisfied with the gender equality. For the second question, the percentage of employees who thought men and women had equal opportunities has been slowly declining over the last few years. In 2012 70% of employees believed they had equal opportunities, however this declined to 69% in 2013 and 64% in 2014. The responses to the last question about wages made it quite clear that many employees did not believe that men and women were paid equally in this financial institution (See Figure 4).



**Figure 5: Do you think men and women are paid the same wages for similar work?**

It is possible to see from the figure that in 2014 only 30% said that the wages were equal, while 69% thought it was not equal and that men were more highly paid than women. There were quite similar numbers in the previous years as well, in 2013 33.5% said yes, and 65.5% said men were paid higher, and in 2012 30.3% said yes and 69.3% said men were higher paid (personal communication with HRM, 20/10/2014).

In 2013 the results were analyzed even further between genders. Interestingly enough, 80% of the men working at this financial institution believed that the pay was equal between men and women, whereas only 12% of women said the pay was equal. 87% of the women believed men were more highly paid, and only 17% of men thought men were higher. Only 3% of men believed women were paid more and none of the women thought that women are paid more. This shows quite vividly that there is an issue in terms of salaries, or at least the conception of what other employees are getting paid (See Figure 5). It has not seemed to affect employees' perception on gender equality at work however.



**Figure 6: 2013: Do you think men and women are paid the same wages for similar work?**

The difference in men's and women's responses in this figure make it very obvious that the men in the establishment think that both sexes are paid equally, where as the women do not agree with this and think men get paid higher. There is a very large gap present but the reason for this is unknown. Perhaps the women in the institution have the perception that they are getting paid lower than men, despite not knowing for sure what their male counterparts are being paid (personal communication with HRM, 20/10/2014).

It is also interesting that in 2014 the data about perception of equal wages was also broken down into the different departments of the bank. Investment banking was the

department with the highest number of employees agreeing that men and women are paid the same amount, 67% of those employees believed this to be true. The department who disagreed the most with this was the back office (viðskiptaumsjón) department, with 94% saying men are paid more. Another noticeable trend from the 2013 data was that the longer employees had been working in this financial institution, the higher the percentage of employees who believed that men get paid more. When employees had been working for less than one year, it was almost evenly spread between those who thought the pay was equal and those who thought men were paid more. The longer an employee had been working, however, the more the numbers differ. By the time an employee had been working for more than 10 years, 76% believed men were paid more and only 23% believed it was the same. The same trend can also be seen when examining the results from the second question about equal opportunities. The longer employees had been working at this institution, the fewer there were who thought there were equal opportunities for advancement between men and women, and that men had more opportunities (personal communication with HRM, 20/10/2014).

## **5 Discussion**

This section will focus on the initiatives the financial organization has taken in order to solve their gender equality problems and gender wage gap, and further discuss what could be improved upon. This will be followed by the practical applications of this study to the human resource management of other organizations, along with some further suggestions as to how this problem could be minimized.

### **5.1 Initiatives Undertaken**

The gender wage gap in Iceland has been an issue for many decades but now many organizations are trying to put an end to it, such as the financial institution in this case study. They have been working hard at tackling this problem head on in order to ensure women and men are paid equally for the same job. While there is still work to be done, this institution appears to be on the right track. The biggest accomplishment will be if they succeed in achieving certification from the equal pay standard, then they can prove and have documentation that they will finally have ended their gender wage gap. To have this certification would mean that they could promote their company as having equal wages between men and women, as well as having gender equality. Not only is this important for their employees, it is important for their clients and it could help attract potential new ones as well. Going through the process of certification is growing in popularity in Iceland so with a higher number of companies taking part in it, the more it will become the norm for all companies not only in Iceland but hopefully in the rest of the world as well. If it becomes successful in Iceland it could spread to other countries as well and become a global trend.

Another important aspect in order to help improve the overall gender equality at the bank is that the human resource management let their staff be more aware of what is going on and the initiatives they are working on. Through the focus groups they had received many comments that the employees did not know what was being done to change the gender wage gap. They also previously did not have enough information available for employees in regards to the equal pay standard and other initiatives being

taken. Having held lectures and seminars about this has led to more awareness, however, so that was a step in the right direction. It is so important that employees learn more about these initiatives being undertaken, not only to be aware of their rights and what is going on but to help change the atmosphere in the bank from the masculine culture to an equal gender one. Many employees also did not know what the UN equality treaty was and what effect it would have on the institution. Signing this not only promotes gender equality and women's empowerment in the workplace but overall in Iceland as well. Organizations involved with this are responsible for working alongside the community to eliminate discrimination and create opportunities for girls and women. They are able to publicize that they support gender equality and their action plan to do this, and it may encourage other organizations to do the same. Teaching the employees about this at the financial institution could make a difference in the gender equality at the bank, as well as in everyday life (Jafnréttissáttmáli UN Women, 2014).

It is well known that women are often underestimated in the workplace and their leadership skills do not get used to their full potential. They are often perceived as being either too tough or too soft and face higher standards than their male counterparts. There are many barriers to women's success in the workplace, such as lack of flexibility, not being included in formal networks, a lack of mentors or role models, and a lack of strategy in developing the women as leaders. It is important that women get the support they need if they are facing such barriers in the workplace (Evans, 2011). In the case of the financial institution in Iceland, it was recognized that something needed to be done in order to break these barriers. There was discussion of creating special incentives and mentoring towards women in order to help strengthen their confidence and leadership skills. During the focus groups, the women were asked if this was something they thought would be helpful. Some responded that it would be a positive initiative and it could be useful. There are many capable and intelligent women in the bank who are excellent role models so making them more visible within the bank and externally would prove this and could empower other women as well. Many of the women also agreed that management needed to be more motivating towards their employees. Many women do not apply for jobs internally within the bank unless they are sure they can get the job. It could be beneficial for them to have special

initiatives aimed just for women in order to boost their confidence and apply for jobs that they previously thought were unattainable (personal communication with HRM, 20/10/2014). Studies have shown that there are strong links between increased representation of women in executive positions and higher corporate financial results. One global study found in particular that 71% of companies do not use specialized programs to develop and improve women's leadership abilities. There are programs available that are created specifically to help women advance in the workplace, especially if there is male dominance. Organizations should focus on strengthening their female employees and change how women leaders are viewed because it will benefit them in the long run (Evans, 2011). The organization could also benefit from having more lectures not only aimed at women but for all the employees in order to teach them more about gender equality. Many individuals do not even realize that they are behaving in an inappropriate way, it could be unconscious behavior but still be demeaning towards women. In the financial institution it was brought to the human resource managers' attention that some employees were not always sensitive to the gender equality issues. There was at least one case where a male manager had unconsciously made a sexist remark towards women in a presentation and there were complaints made about that. It can benefit the entire organization to have a lecture based on gender equality even just to make them aware of the language they use while in the workplace (personal communication with HRM, 20/10/2014).

## **5.2 Practical Applications & Recommendations**

Many organizations worldwide are struggling with the gender wage gap, it is very prevalent and continues to cause women to be undercompensated for doing the same work as their male counterparts. There are numerous initiatives that can be undertaken, however, to help solve this problem. Many of these possible solutions have been mentioned throughout this study and provide examples of some of the things companies can do in order to equalize pay between their male and female employees. One of the most efficient solutions that will hopefully gain in popularity is the equal wage certification which will ensure that women and men are being paid equally. With this organizations can be officially certified and prove that they have equal wages and therefore potentially attract new employees, as well as customers.

Not only could this research potentially improve the gender wage gap of organizations, it can help to teach management about gender equality and how important it is not only within an organization but also in daily life. As mentioned above, male managers do not always realize their biases towards women in the workplace or some of their subconscious but still inappropriate behavior. One study found that women are very commonly stereotyped to have greater work conflict due to family responsibilities than men were, even if it is not the case. This belief, and not a woman's performance, can harm her fit and upward mobility within an organization due to the manager's perception of her. Knowing this can help managers within organizations become aware of their possible biases and they can therefore reduce or eliminate these stereotypes. It has been found that even just identifying these subtle discriminations and making employees aware of them can have a great effect on rooting them and improving the opportunities and working conditions for women (Hoobler et al., 2009). An example of the bias women are faced with in terms of family conflict can be demonstrated through a survey conducted in Iceland about the gender pay gap. This survey clearly showed that the attitudes of some managers towards women were unacceptable. None of the managers in the survey believed that having children under the age of six years old would negatively impact the career advancement or opportunities of a male employee. When it came to women, however, 27% believed this would negatively impact a woman's career. The survey also suggested that these attitudes are so generally accepted and ingrained that they are not considered to be discrimination towards women. It has been found that the most effective way to reduce these negative stereotypes is to increase the responsibility of men in caring for the family, thus extending their paternal leave as was the case in Iceland (Gíslason, 2007).

With an increasing number of women in the workforce, it is so important for organizations to use women's capabilities to their fullest. Diversity in the workforce is constantly growing and effectively managing this will become increasingly important. Not doing so can lead to harmful situations for the institution, such as discrimination suits, high employee turnover and having a bad reputation, as well as impeding workers abilities and motivation. Not only is the workforce diversifying, the customer base is changing as well and organizations need to take precaution and adapt to this. Having a

diverse talent pool within an organization is essential because men and women think and work differently, so teaching employees about gender equality can be very beneficial (Kamkatwong & Kleiner, 2001). In order to embrace the growing number of women in the workforce and to ensure gender equality, a set of gender equality policies were passed. The most important was that by September 2013, publicly owned and joint-stock companies with more than 50 employees would be required to have at least 40% of both sexes on their governing boards. This is known as the Act on Corporations 2010. Another important outcome of this was that medium and large companies would have to ensure having gender balance in employment, not only among management but employees in general. This is something that other countries could potentially enact in order to maintain gender equality within their organizations and to reduce the gender wage gap (Johnson et al., 2013).

Various studies have found that men and women have very different perceptions of what they should be paid. Very often women have much lower beliefs about what they should be paid, as opposed to men who often feel worthy of higher pay. One study wanted to examine this idea, so both the men and women in the study were told that women often outperform men in the workplace. Interestingly enough, this had little or no effect on what men thought they should be paid, in fact they still believed they should have high wages. As for the women in the study, it was found that this gender-related status manipulation was so effective that they completely changed their ideas on how much they should be paid. They completely went against the usual pattern of assigning themselves less money than men for comparable work (Hogue, Yoder & Singleton, 2007). This is just one example as to why it is so important to motivate the women in a workplace. Part of the problem of the gender wage gap stems from women's perceptions of what they should be paid, and the fact that it is lower than what men expect. Women should be encouraged and motivated in the workplace, if this were the case then maybe they would feel that they deserved a higher wage. Organizations should ensure that they are actively supporting their female employees, whether it be by holding lectures on gender equality, or promoting more women to high managerial positions. This would show the other women that it is possible to succeed and that they deserve the same salary as men do. Empowered women will ask

for the higher salaries that they deserve, which could lead to lower wage gaps within the workplace.

The financial institution in Iceland has demonstrated that they are efficiently tackling the gender wage gap and gender equality issues. Consistent with previous studies and research, they appear to be using many important tools and methods in doing so and will hopefully accomplish their goals of not only creating equal wages for men and women but improving the work environment so that women feel more comfortable in the workplace. It is true that sex and gender discrimination in its many forms have been greatly reduced over the decades. It does continue to exist, however, and has become increasingly more subtle and unconscious. It is important that these issues such as the gender wage gap and gender equality be undertaken now since the declines in discrimination in the labour market may be less prominent in the future. This could make it more difficult to attain large declines and therefore should be acted upon right now. The glass ceiling may have some cracks in it now but it is not completely broken just yet (Blau & Kahn, 2007).

## 6 Conclusion

This study was carried out by examining a financial institution in Iceland. The main goal was to answer this research question: what methods does an Icelandic financial institution undertake in order to tackle the gender wage gap? To be able to answer this question, the general topic of the gender wage gap was examined in more detail using the main theories and models from existing research. Some of the key trends of the gender wage gap in the past decades were also discussed, along with other issues affecting the wage gap such as female gender constraints, pay expectation of women, and the difficulties maternity leave potentially poses.

A second important part of the literature review was to examine the Icelandic labour market in particular, and how the gender wage gap affects Iceland. The Parental Leave Act was discussed, along with the VR union and the work they have been doing to reduce the gap. Iceland was then compared to the other Nordic countries in terms of their gender wage gaps and the policies that affect them, and comparisons were also made to other countries of the European Union. There was then a discussion involving some of the initiatives the EU have undertaken in order to tackle the wage gap.

In order to answer the research question, the initiatives the financial institution have undertaken went under review. After having discovered an 8% gender wage gap, the human resource department are working very hard in order to reduce the gap, as well as improve the overall gender equality. In 2011, a gender equality committee was created to oversee the changes to be made within the institution. Every year a workplace assessment audit is distributed to all employees, which inquires about their views on various gender equality matters and employee wages. After receiving the results, it was decided that special focus groups would be set up in order to hear specifically what the employees think about the situation at this institution. The UN Equality Treaty was also signed in 2014 to further demonstrate their motivation to end the gender wage gap and promote equality.

The final and most important step taken by this institution is to obtain the equal wage certificate. This would prove that there are, in fact, equal wages among men and

women, and would ensure that it remains this way by continuing to monitor individual earnings. Upon receiving certification, an organization can guarantee that they are following the equal pay standard in Iceland. The certification process is still underway at this particular organization. If they manage to successfully achieve it, this may change a great deal for the future of not only Iceland but potentially the rest of the world. If this method gains in popularity it may spread, therefore creating equal wages for men and women around the world.

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