EGGE – EC's Expert Group on Gender and Employment

National Reports on the Unadjusted and Adjusted Gender Pay Gap

Finland

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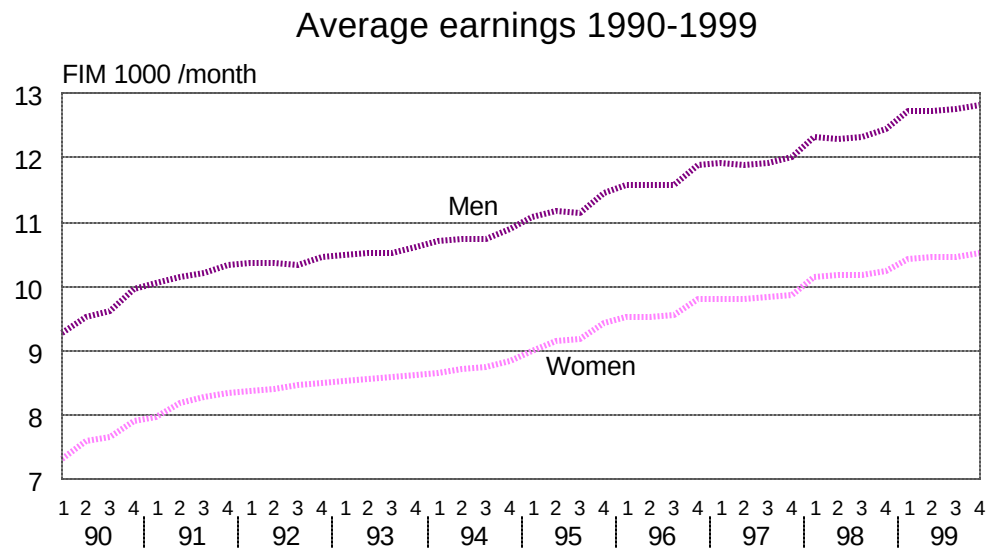
Finnish National Report on the Gender Wage Gap

1. National measures of the unadjusted gender pay gap

The debates on equal pay traditionally watch a figure showing the proportion of women's pay of men's pay. The observations can focus on the average hourly, monthly or annual earnings. The results have further been influenced by whether averages or medians have been used in the comparisons. Therefore, there are diverse angles from which pay differentials can be examined.

Using the data sources of Statistics Finland only can also produce variable results, depending on what data are used as the basis for comparison. Statistics Finland's Prices and Wages Statistics unit produces annual reports on pay development, inclusive of comparisons between women's and men's earnings. These are based on two statistical systems, *Index on Wage and Salary Earnings* and *Structure of Earnings Statistics*. Similarly, *Income Distribution Statistics* also produce their own separate annual series. The *Quality of Work Life Surveys*, from 1984 to 1997, have also been used to describe the wage differentials between men and women. They are slightly different in that they are based on replies given in interviews to a question about monthly pay, while the others are based on registers.

The *Index of Wage and Salary Earnings* is perhaps the mostly used statistics where gender pay differentials are concerned. They are quarterly published statistics and have been producing wage and salary figures according to gender for a longer time than the other quoted sources. The figure below describes the development during the 1990s.



Average monthly earnings represent earnings for normal working hours at full wage and salary. Average earnings are calculated from material in the index of wage and salary earnings. In the calculation, average earnings for different employee groups are formed by using the numbers of employees as weights.

Source: Index of wage and salary earnings, Statistics Finland

The annual proportions of women's earnings compared to men's are presented in Appendix Table 1. The figures describe the development from 1985 to 2001 in the whole labour force and in different employer sectors. According to this source, the share of female monthly earnings of male earnings has increased from 79 per cent to 82 per cent since 1985.

The Index of Wage and Salary Earnings shows a slightly smaller wage deficit between genders than do other wage statistics. The Structural Statistics on Wages and Salaries, which have been produced since 1995, give a somewhat more pessimistic picture of gender differentials. I have collected their series into the table below. In these statistics, monthly earnings measure the remuneration paid for regular, additional and overtime working hours. The figures are also restricted to those working on full-time basis.

Table 1. Average monthly earnings by gender in 1995 – 1999. Structural Statistics on Wages and Salaries. Statistics Finland.

	1995 FIM	1996	1997	1998	1999
Women	9,413	9,883	9,912	10,277	10,612
Men	11,972	12,426	12,566	12,984	13,363
Share W/M, %	78.6	79.5	78.9	79.2	79.4

The third source which has quite often been used for describing gender wage differentials is *Income Distribution Statistics.* According to the latest results, the median wages and salaries of employees in year-round, full-time employment amounted to EUR 24,405 in 2000. In real terms, this was 0.7 per cent more than in 1999. Men's median pay was EUR 27,351 and women's EUR 21,763. The annual wages and salaries of men remained at the 1999 level in real terms but those of women grew by 1.4 per cent.

The median pay of women was about 79.6 per cent of that of men in 2000. Calculated with average wages and salaries, the corresponding percentage was 77.0 per cent. Measured in median wages and salaries, the pay differential between the genders contracted, but measured in average pay it was almost unchanged.

Table 2. Women's yearly earnings as a percentage of those of men in 1990 – 2000. In year-round, full-time employment. Income Distribution Statistics. Statistics Finland.

	The share W/M, average wages	Median wages
	%	%
1990	74.5	77.1
1991	75.3	78.5
1992	76.7	79.7
1993	75.8	77.9
1994	74.6	76.9
1995	76.2	77.6
1996	78.4	79.4
1997	76.9	78.7
1998	75.7	79.2
1999	77.3	78.3
2000	77.0	79.6

Compared to the above, the pay data of the *Quality of Work Life Surveys* are slightly different in that they are based on replies given in interviews to a question about monthly pay. The table below collates together the data on pay obtained with the Quality of Work Life Surveys in the different years. The results would seem to indicate towards a slight narrowing of the gender pay differential since 1990. The gap has narrowed by about four percentage points. In the 1997 Survey, women's monthly pay was 79.5 per cent of men's. Only those employed in full-time work (over 30 hours per week) were included in the comparison.

The data of the Quality of Work Life Surveys on pay have been principally produced in an identical way in the three rounds of the Survey. The Survey in 1984 was the only one where the number of used pay categories was slightly smaller than in the other Surveys. In this sense, temporal comparisons can also be regarded as quite reliable. In other words, the picture given by the Quality of Work Life Surveys about the development of the pay differential would appear to encourage optimism as far as equality is concerned, because the inclination towards growth in the pay differential observed at the turn of the decade remained a temporary one and women are again approaching men's pay levels. However, it continues to be surprising that there is still a difference of about 20 per cent between women's and men's pay despite the fact that women's educational level now clearly exceeds that of men in the wage earning population.

Table 3. Women's and men's average monthly earnings 1984, 1990 and 1997. Full-time employees, gross pay, excluding overtime pay. Quality of Work Life Surveys.

	1984 FIM	1990 FIM	1997 FIM
Total	5, 027	8,495	10,263
Women	4,328	7,311	9,120
Men	5,642	9,686	11,458
Women's pay as prop. of men's pay, %	76.7	75.4	79.5

In the 1997 Quality of Work Life Survey it was also possible to compare the information provided by the respondents themselves with the data in the taxation register. This is because the respondents were asked separately about the number of months they were employed during 1996 doing full-time and part-time work. It was, thus, possible to produce pay comparisons relating to annual income by including in the examination only those who had been employed full time for the whole year, i.e. as comparable groups as possible.

This calculation method produced as the annual pay differential between women and men 21.3 per cent. This relates to the average annual earnings in 1996 of those employed full time for the whole year. In terms of money, the amounts of average annual pay were FIM 122,000 for women and FIM 154,000 for men. Thus, women's pay amounted to 78.7 per cent of men's pay.

A very similar result is obtained using Income Distribution Statistics. The obtained amounts of average annual pay

relating to 1996 were FIM 129,100 for women and FIM 164,500 for men. Calculations using Income Distribution Statistics give women's pay as 78.4 per cent of men's pay. The used definition is exactly the same as in the Quality of Work Life Survey, in other words the calculations only refer to those employed full time for the whole year.

For comparable data on pay, employment for the whole year is a precondition for using taxation registers, as they only contain data relating to earnings for the whole year. This tends to preclude particularly women from examinations, because employment on part-time or fixed-term basis is more typical with women. This has a bearing on the figures, for the number of wage and salary earners on which the 1996 Income Distribution Statistics were based was only 1.2 million whereas the 1996 Labour Force Statistics put the total number of wage and salary earners at 1.9 million, on average. Equally, Income Distribution Statistics put the number of female wage and salary earners at only 570,000, and that of male wage and salary earners at 640,000. In reality, the numbers of male and female employees are quite equal.

Obviously this same problem of a larger number of precluded women also affects the comparisons of annual pay in the Quality of Work Life Surveys. An examination by educational level shows that a slightly larger number of highly educated women than of those in the rest of the educational groups get precluded from the annual pay comparisons. This could presumably be because fixed-term employment relationships tend to concentrate among highly educated women. At the same time, the proportion of women's pay of men's pay goes slightly down. Considering this, it can be said that the data on pay obtained with the interviews of the Quality of Work Life Surveys are quite reliable. They provided a fairly good basis on which conclusions can be drawn about the connections between pay, employee characteristics and factors affecting working conditions.

According to Statistics Finland's 1997 Structural Statistics on Wages and Salaries, women in full-time employment earned, on average, 78.9 per cent of the comparable earnings of men. Earnings for all overtime and extra work are included in this comparison. For so-called regular working hours, women's earnings amounted to 80.3 per cent of men's. These results are very close to the findings of the Quality of Work Life Survey. For regular working hours, the Structural Statistics on Wages and Salaries arrived at the average monthly earnings of FIM 9,746 for women and FIM 12,126 for men. The respective averages obtained with the Quality of Work Life Survey data were FIM 9,120 for women and FIM 11,458 for men.

These results are surprisingly close to each other despite the fact that the calculating basis in the Structural Statistics on Wages and Salaries differs considerably from that used in the Quality of Work Life Survey. In the former, the private sector – especially small enterprises with fewer than five employees – are only included as estimates. Thus, the pay comparison is, in fact, based on data on a distinctly smaller wage and salary earning population of approximately 1.3 million.

Diverse summary reports have also been produced about the gender pay differentials from the perspective of *international comparison*. Obviously, obtaining harmonious data on pay for comparison purposes is very difficult, because exhaustive pay statistics do not exist even at the national level. Attempts in this direction have been made at the European level, for example, (Eurostat, New Chronos 1998, ref. Kouvonen 1999) and also internationally (Education at a Glance 1995, ref. Nurmi 1997) as well as in the Nordic Countries (Naisten Palkat/*Women's Pay* 1993). A specific problem in European pay structure comparisons is that, in respect of many Member States of the EU, no data on the public sector are available, which would be essential especially for gender comparisons. OECD comparisons on pay and education, again, include part-time employees, which also has a major impact on comparisons concerning women.

Nordic pay comparisons and studies of related trends show that in the 1960s,1970s and in the early 1980s the pay gap between women and men narrowed, but that something happened after the mid-1980s to change this trend in all the other Nordic Countries except Norway. The increasing shift in the late 1980s from centralised to decentralised pay bargaining has been offered as one explanation to this. (Naisten palkat/*Women's Pay* 1993).

On the whole, research has shown that centralised pay solutions have tended to be better for women (Ilmakunnas & Julkunen 1997; Nurmi 1997). On the other hand, variations in pay are also directly correlated with gender pay differentials. This is borne out by the fact that in the Unite States, for example, the difference between women's and men's average pay is quite large but, set against men's pay distribution, women's median pay is quite good compared with other countries. (Kangasniemi 1997, 9) Here, too, the reason may be that decentralised pay agreements generally increase pay differentials at the level of the whole society.

Review of pay trends in part-time work

All above mentioned Finnish data sources describe wage differentials in a way where part-time work has been eliminated. This is possible in Finland where part-time work does not play a major role. The proportions of part-time employees have only been about 10 – 12 per cent of all employed persons during the 1990 to 2000 period. Although part-time employment has been more typical among women, its proportion of all women's employment has only been around 15 to 17 per cent.

Accordingly, with regard to pay differentials, part-time employment is not an essential issue and can be left outside comparisons without losing much information. Women's part-time work does not change the wage and salary structure in general, because it has not represented a way to deteriorate women's employment opportunities.

Low pay trends over time

According to Income Distribution Statistics, income differentials have been growing distinctly in Finland in the latter part of the 1990s, and the growth continued in 2000. The value of the Gini index, which measures the differences in disposable income, was 0.266, i.e. somewhat higher than one year previously when it stood at 0.259.

The highest income receiver decile clearly increased its income proportion by most in 2000. The three lowest income receiver deciles lost some of their income proportions. The growth in the income differentials was attributable to increased property income and reduced compensatory effects of the current income transfers. Earning differentials among employees in year-round, full-time employment also increased slightly in 2000. This was due to a growth of pay differentials among male employees, since the pay differentials among female employees stayed unchanged in 2000. Appendix Table 2. presents the wage inequality trends from 1996 to 2000: the ratio of the lowest to the highest decile by gender and for all workers, the ratio of the lowest decile wage to the median wage by gender and for all. The ratio of the highest decile wage to the median is also shown. The figures show that the differentials are much higher among men than among women.

Unfortunately, it is not possible to describe low pay according to the shares of male and female workers earning less than two thirds of the median for all workers. The system of Income Distribution Statistics in Finland does not produce such figures. However, Employment Outlook (1996, 69-70) presents international comparisons of the OECD countries, where Finland is included. Low-paid workers are defined as full-time workers who earn less than two-thirds of median earnings for all full-time workers. The figures from the different countries are from 1993-1995, for Finland from 1994. The variation in the overall incidence of low-paid employment is striking: one-quarter of all full-time workers in the United States are in low-paid jobs compared with under 6 per cent in Finland and Sweden. The pattern closely mirrors the simple D5/D1 measure. Gender differentials in low-paid employment are considerable in all countries. The incidence in female employment is much higher than in male employment. Here, too, Finland and Sweden are in a class of their own, for the incidence among women in Finland is 8.7% and in Sweden 8.4%. In the UK, for example, the figure for women was 31.2%. Low-paid employment among men was 3.3% in Finland, 3.0% in Sweden and 12.8% in the UK. (see also Asplund & Eriksson 2000.)

Table 4. Incidence of low-paid employment by sex. Employment outlook 1996, OECD.

	Total	Men	Women
Australia (1995)	13.8	11.8	17.7
Austria (1993)	13.2	7.0	22.8
Belgium (1993)	7.2	3.9	14.2
Canada (1994)	23.7	16.1	34.3
Finland (1994) 5.9	3.3.	8.7	
France (1995)	13.3	10.6	17.4
Germany (1994)	13.3	7.6	25.4
Italy (1993)	12.5	9.3	18.5

Japan (1994)	15.7	5.9	37.2
New Zealand (1994)	16.9	14.4	20.7
Sweden (1993)	5.2	3.0	8.4
Switzerland (1995)	13.0	6.8	30.4
United Kingdom (1995)	19.6	12.8	31.2
United States (1994)	25.0	19.6	32.5

2. Review of national studies

In Finland, gender pay differentials have been studied fairly extensively, mostly using statistics. Economists, in particular, have developed different models for explaining them. These models have been introduced in Finland by, among others, Mari Kangasniemi (1997) and Rita Asplund (1993). On the other hand, a fair number of statistics-based reviews and studies of pay differentials has been produced in Finland (Hemmilä 1988, Isotalus 1989, Brunila 1990, Allén et al. 1990, Vartia & Kurjenoja 1992, Lilja 1996,1997 and 2000, Nurmi 1998, Kandolin 1998, Vartiainen 2001).

In the following, I will first present how gender pay differentials have been studied with the data from the 1997 Quality of Work Life Survey (Lehto 1999). Similar analyses have been presented from the earlier Quality of Work Life Survey findings in reports on gender equality (Lehto 1988, Lehto 1992). The methods used are very similar: the latest results make it possible to establish how women's and men's pay is determined according to education, work experience, occupational status and nature of work organisation. The Quality of Work Life Survey also makes it possible to examine the perceptions of the fairness of pay.

Education and pay differentials

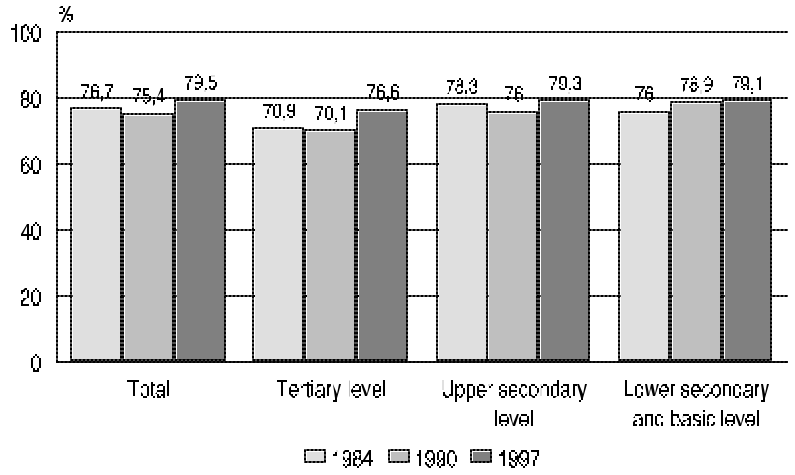
Education has generally been regarded as a central factor influencing pay. There have also been attempts to justify gender pay differentials with differences in the educational levels of women and men. Quite clearly this explanation does not work in Finland. On the one hand, it is known that the female Finnish wage and salary earners are today better educated than their male counterparts: for example, 21 per cent of female employees (in 1997) had a tertiary level of education and 27 per cent an upper level of upper secondary education, while the corresponding figures for men where 19 per cent and 22 per cent (Lehto 1999b, 19). However, there is still a 20 per cent difference in favour of men in the average pay. In the following analyses on gender pay differentials, educational level has been chosen as the pivotal background variable, because at the same time it also facilitates examining the fairness of pay, at least as far as educational level is concerned.

The inferiority of women's average pay compared to that of men's is evident at all educational levels (Figure 2.). Generally, statistics and studies have found that the difference in men's and women's pay (in terms of percent-

ages) increases as the educational level rises. In respect of tertiary level education, this still seems to apply as far as the 1997 Survey results are concerned. Compared to the earlier Surveys, however, the situation has improved, especially in respect of those with tertiary or upper secondary education.

Figure 2. Women's pay as proportion of men's pay

Monthly income by level of education, excluding part-time employees. Quality of Work Life Surveys 1984, 1990 and 1997



Comparing the educational levels and the wages and salaries paid according to them against a more detailed classification of education shows that for both women and men pay does go up almost systematically according to educational level (Table 5). The only exception to this is the group of men with the lowest level of tertiary education, where the average pay is slightly higher than at the next level. In the same group the gender pay differential is at its largest.

Table 5. Women's and men's average earnings by level of education 1997

	Women		Men		W/M
	FIM	n	FIM	n	%
Total	*9,100*	*1,351*	*11,500*	*1,292*	*80*
Basic and lower secondary level	7,800	292	9,900	317	79
Lower level of upper secondary education	7,900	392	10,100	452	78
Upper level of upper secondary education	9,000	368	11,600	270	78
Lowest tertiary level	9,800	116	14,800	94	66
Undergraduate level	12,300	50	14,500	54	85
Graduate level	13,900	124	17,400	84	80

Postgraduate level	..	9	17,400	21	..

Within tertiary education, the gender pay differential narrows distinctly in all other sub-categories except that of lowest tertiary education. Compared to the previous (1990) Survey, the gap has narrowed especially at the under-graduate level and quite considerably also at the graduate level of education, corresponding with today's master's degree level. Postgraduate level, i.e. degrees of licentiate or doctorate, is such a small group in the data that it is not possible to calculate a figure for the pay differential. Only 9 of the female respondents fell into this category.

Statistics Finland's *Structural Statistics on Wages and Salaries* produce a very similar pattern for 1997 for the distribution of pay by level of education. The pay differential between the genders varies in very much the same way as it does according to the findings of the Quality of Work Life Survey. (Structural Statistics on Wages and Salaries 1997, 17). In Income Distribution Statistics, too, the distribution of wages calculated from the 1997 annual wages follows the same system. (Income Distribution Statistics 1997, 73.) The 1990s time series of Income Distribution Statistics show consistently with the Quality of Work Life Survey that the gender pay gap has narrowed more in respect of the tertiary education groups excluding, however, the lowest tertiary education, where the differential remains the largest.

Work experience and pay development

Besides education, differences in work experience have also been quoted in attempts to explain the gender pay differentials. However, a feature that is typical of Finland is that there is very little difference in the work experiences of women and men. When the respondents were asked in the latest, 1997, Quality of Work Life Survey about the number of years they had been gainfully employed in their lives, the averages were 18.9 years for women and 19.6 years for men. Thus, the difference in work experience today amounts to less than twelve months. The findings of the earlier Quality of Work Life Surveys show that the difference has been continuously decreasing. In the 1990 Survey, it was still nearly two years.

So this explanation does not seem to be of much help, either. What would be interesting to find out is how gender pay differentials develop as work experience increases. Table 6 below contains calculations – based on two Surveys – of women's proportional earnings when both the amount of work experience and educational level are standardised. The results show that in all the four groups formed according to work experience the gender pay gap is at least 14 per cent or more.

Table 6. Work experience and women's pay as a proportion of men's pay by level of education. Quality of Work Life Surveys 1990 and 1997

	Work experience			
	1-9 years	10-19 years	20-29 years	over 30 years

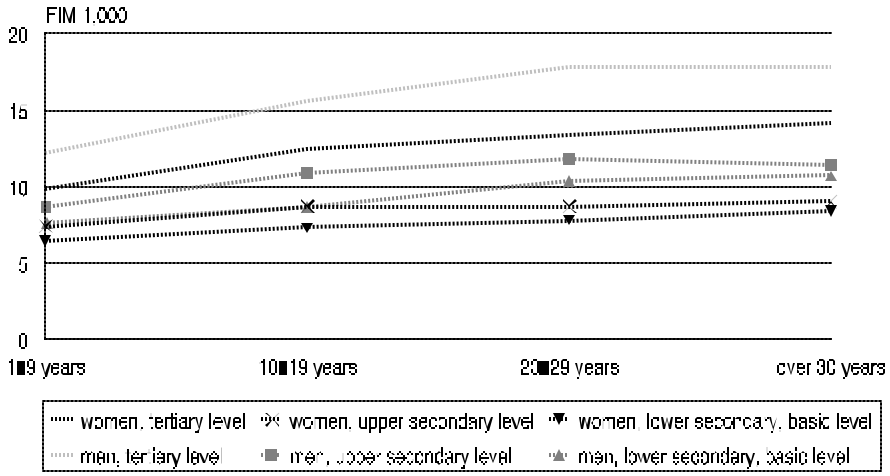
	1990	1997	1990	1997	1990	1997	1990	1997
	%	%	%	%	%	%	%	%
Total	85	87	71	80	72	75	75	78
Tertiary level	80	80	66	79	70	75	62	80
Upper secondary level	85	85	74	79	74	74	72	79
Lower secondary, basic level	85	84	77	84	73	75	83	79

At all educational levels, the gendered difference in pay already becomes quite clear in the group of those with less than ten years of work experience. As work experience increases, the difference just grows systematically bigger. However, in the group of the oldest respondents with the longest work experience, the difference contracts again slightly. In the 1990 Survey, the pay gap was the deepest among those with 10 to 19 years of work experience behind them. Now the deepest gap seems to have shifted to among those with 20 to 29 years of work experience. Compared to the previous Survey, the biggest change seems to have taken place among those with tertiary level education and the longest work experience. In this group the gap seems to have grown distinctly shallower.

The Figure on the same subject shows that, with women, upper secondary and tertiary education produce only very scant upward development in pay as work experience increases. Having upper secondary education, especially, means for women that their pay development comes to a total halt after ten years of work experience. The observation that can be made in respect of men is that their pay rises rapidly initially but then levels off in the oldest employee group with over 30 years of work experience and even falls slightly for those with upper secondary education.

Figure 3. Work experience, level of education and average pay

Excluding part-time employees. Quality of Work Life Survey 1997



Work organisation and pay

It has frequently come to light in earlier studies that gender pay differentials are usually at their smallest in the public sector (Brunila 1990, 24). According to the findings of the 1990 Quality of Work Life Survey, pay differentials were the smallest of all in the central government sector. This same information is contained in the table below, which also shows the changes standardised for education in the pay differentials by sector.
The gender pay differential continues to be the smallest in the central government sector but the differences between the sectors would seem to have narrowed in this respect. The change is particularly striking in the private sector: women are clearly catching up with men. Examined by educational level the catching up seems to centre among those with tertiary education, although it is still quite obvious that private sector employees are the very group in which gender pay differentials are the largest.

Comparisons by sector are somewhat hampered by the fact that the central government sector has contracted considerably, as privatised state institutions have, in terms of statistics, moved to the private sector. Especially the groups with lower secondary education have today grown too small for reliable comparisons to be made.

Table 7. Employer sector and women's pay as proportion of men's pay by level of education, 1990 and 1997.

	Employer sector					
	Central government		Municipality		Private	
	1990	1997	1990	1997	1990	1997
	%	%	%	%	%	%
Total	81	83	78	81	74	80
Tertiary level	82	83	76	80	68	76
Upper secondary level	77	85	82	87	77	81
Lower secondary, basic l.	89	..	81	87	79	80

With both women and men, the highest monthly earnings are found in the central government sector. However, differences in the educational levels do have a bearing on this, for standardising education does influence the result, especially in respect of men. In respect of all educational levels, the private sector seems the most lucrative as far as men's pay is concerned. With women, the central government and private sectors are the joint leaders. According to the Survey findings, in respect of all educational levels the average earnings for both women and men are the worst in the municipal sector.

Female and male dominance

The correlation between work organisation and pay can also be assessed against how female or male dominated the pertinent work community is. This was inquired in the Quality of Work Life Survey by asking the respondents whether their co-workers doing roughly similar tasks were all, or mostly, women, both men and women or all, or mostly, men. The table below shows women's and men's average earnings by education by putting together the "all or mostly" replies from this question about work segregation.

The results show that women's earnings are distinctly boosted if they work in a male-dominated work environment. Even working in a mixed work community raises women's earnings level. To put it in another way, a female-dominate work environment means lower pay for women at all educational levels.

Female-domination appears to be harmful to men, too: their earnings are the lowest in female-dominated work environments. Male-domination, again, brings no significant benefits to men, except in the group of those with lower secondary and basic education. It is, generally, not very common anyway for those with lower secondary and basic education to work in an environment dominated by the opposite gender. With respect of both women and men these groups are again too small in this Survey for reliable comparisons.

Table 8. Male or female dominance of workplace and pay by level of education 1997.

	Total	Mostly women	Both sexes	Mostly men
	FM	FM	FM	FM
Women, total	9,100	8,600	10,300	12,100
Tertiary level	12,100	11,100	13,300	16,300
Upper secondary level	8,400	8,200	9,300	9,800
Lower secondary, basic level	7,800	7,700	8,100	..
Men, total	11,400	11,300	12,600	11,100
Tertiary level	15,800	14,000	16,300	15,700
Upper secondary level	10,600	9,500	11,000	10,700
Lower secondary, basic level	9,900	..	8,900	10,000

The gender composition seems to correlate particularly strongly with women's pay in that it is the highest for women with tertiary education working in a male-dominated environment and the lowest for those with no higher than lower secondary education working in a female-dominated environment.

A similar result was obtained by Irja Kandolin from the Quality of Work Life Survey carried out as far back as 1984. The gender composition of a workplace is of great "explanatory" value with regard to gender pay differentials. (Kandolin 1997, 267.) Especially the pay of female upper white-collar employees was lowered, in exactly the same way as that of women with tertiary education in this latest Survey, by working in a female-dominated

work community.

It is precisely observations like these of the existence of female wages and salaries in female-dominated fields that have been behind the past attempts to minimise gender pay differentials through the dissolution of occupational segregation. It is, however, unlikely that female-domination of occupations, fields and workplaces could ever fully ”explain” the pay differentials. The question is more of a bias that has evolved with time and which, as such, deserves to be explained. Re-assessing the demands of the tasks in the male and female-dominated fields would, in fact, be a more appropriate way than tempting women to give up female-dominated fields in the hope of better pay.

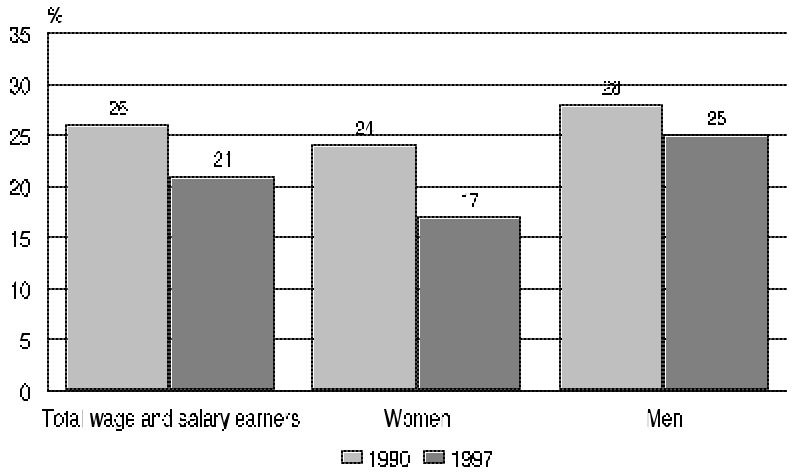
In principle, it would be wrong to eliminate the effect of an occupational field while attempting to find the ”inexplicable” proportion created by discrimination in the pay differentials. Nevertheless, in economic analyses this has often been the case (Kangasniemi 1997). At Statistics Finland’s, too, gender pay differentials are calculated by eliminating the ”effects” of occupations or industries (Structural Statistics on Wages and Salaries). The fact that gender pay differentials exist in fields where the educational requirements are identical, e.g. in engineering or nursing occupations, is a clear indication of discrimination. Neither the fields as such, nor their male or female domination, explain pay differentials in any way whatsoever.

Performance-based pay

The introduction of performance-based pay systems has been a subject of lively debate in recent years. The systems have been implemented even in service and public sector fields, although assessing and measuring the results in these fields is much more difficult than in manufacturing or production work. The figure below would indicate, however, that pay systems based on performance were less in use in autumn 1997 than in 1990. The reason may either be that the number of these extra incentive systems had to be pruned down due to the recession or that the actual assessment of productivity proved more difficult than anticipated. The fact that the use of performance-based pay systems is less widespread in the public sector, i.e. central government (16%) and municipalities (8%), than in the private sector would certainly indicate towards the latter reason.

Figure 4. Productivity-based pay awards

Productivity bonuses have been introduced. Quality of Work Life Surveys, 1990 and 1997



It is difficult to judge the reliability of the Quality of Work Life Survey data on performance-based pay systems, because the topic has generally not been extensively studied anyway. The Central Organisation of Finnish Trade Unions has researched the introduction of performance-based pay in the context of studies into different forms of local agreements (Helin 1999). The research cannot be regarded as nationally representative but it does give an overall picture of the different forms performance-based pay awards can take. The commonest form is the payment of a one-off annual bonus if targets have been exceeded. Such bonuses are almost invariably directed to a certain group, e.g. all employees, whole departments or employee groups of an enterprise. Another main form is using personnel funds as the rewarding channel.

With regard to gender pay differentials, performance-based bonuses have obviously not played a significant role in the 1990s. As recently as in the 1990 Quality of Work Life Survey it looked as though the pay differentials were increasing at workplaces where performance-based award systems had been introduced. Highly educated men, particularly, seemed to benefit from the new forms of awarding. (Lehto 1992, 82–83.) Now that according to the 1997 Quality of Work Life Survey performance-based pay systems are rarer than at the turn of the decade, they seem to have lost their impact on the gender pay differential. The only remaining difference is that at men's workplaces performance-based awarding has remained as common as previously, at the workplace of every fourth employee. With women, this type of rewarding has grown less frequent.

The form of pay is also otherwise descriptive of the difference in women’s and men’s pay. In the Quality of Work Life Survey, the proportions of pay made up of different bonuses and supplements can also be examined with the question about the respondents’ personal forms of pay. The replies to this question are presented in the table below.

Table 9. Form of pay by gender 1997.

	Women	Men	Total
	%	%	%
Fixed monthly pay	65	45	55
Fixed hourly pay	13	24	18
Basic pay plus shift supplements	12	8	11
Basic pay plus productivity bonus	5	10	7
Basic pay plus piece-work bonus	2	5	3
Other form of pay	3	8	6
Total	*100*	*100*	*100*

Fixed monthly pay is clearly more typical with women (65%) than men (45%), while hourly pay is more common with men (24%) than women (13%). Hourly pay is a particularly prominent pay form with young men (under 30), of whom one in three said he is paid hourly, whereas only one in four of the women of this age group received hourly pay. Shift supplements are more common in women's (12%) than in men's (8%) pay. Different piece-work, commission or productivity bonuses, again, are more often paid to men (15%) than women (7%).

On the reasons for and future of pay differentials

The findings of the Quality of Work Life Surveys show that there is still a clear difference in women's and men's pay in favour of men. Calculated from the latest Survey results, the average monthly earnings of women (FIM 9,100) amount to 80 per cent of men's average earnings (FIM 11,500). To re-iterate: part-time employees are not included in these calculations. Comparing the proportion to earlier results – calculated using an exactly identical method – the development in the 1990s does, however, seem positive from women's point: the pay differential has narrowed by about four percentage points.

The results have shown that the underdevelopment in women's pay is neither due to lower educational level nor difference in work experience. The women in working life are better educated than their male counterparts and the difference in the length of work experience in favour of men amounts to less than twelve months.

In the search for an explanation to the narrowing of the gender pay differential in the 1990s, education and work experience may, nevertheless, be of major importance. Women's educational level has been going up slightly faster than men's, and level of education continues to be an important aspect in determining the size of a persons' pay.

On the other hand, all wages and salaries – including those of men – have only gone up very slightly in the 1990s. At the end of the previous decade various sliding scales were usual, and more performance-based awards were paid. These all tended to benefit men more than women.

The 1990s has also been a decade of multilateral incomes policy agreements. Is has been estimated that multilateral incomes policy agreements are more favourable to women than industry-specific agreements, not to even mention local agreements (Ilmakunnas & Julkunen 1997, Rubery & Fagan 1994). Multilateral agreements embrace the principle of inter-sectoral pay solidarity which in itself is favourable to female-dominated fields. Equally, it has been possible to include in multilateral agreements equality supplements, which are important in principle, as well as many social reforms, such as those on childcare leave entitlement.

From the point of the future, problems will arise if the patterns of pay tied to performance and local agreements become more widespread. Measuring performance is, on average, more difficult in the typically female work, i.e. work involving human relationships and information handling, than in the typically male production work. There is a fear that gender pay differentials will grow again if such a trend gains momentum in the future.

It could also be asked how different profit sharing systems affect women's and men's pays. In Finland the only studies of profit sharing, e.g. Kari Alho (1998), have not been interested in gender differentials when evaluating the effects of these kinds of payment systems. As a matter of fact, profit sharing systems have been developed against the idea of "equal pay for the same job". One of their goals is to "widen the quite compressed wage distribution between firms and branches". (Alho 1998, 81.) Whether this is a new form to widen the pay differentials between men and women even further should be studied carefully.

The adjusted gender pay gap

In this chapter I will introduce the work of two researchers who have studied gender pay differentials using decomposition models, such as Oaxaca decomposition. The reason for choosing these studies is that they represent the latest works on this field and therefore describe the latest developments in pay differentials. The first researcher is Reija Lilja who has written a research report about the banking sector, published in 1999, and an article (2000) about gender wage differentials among Finnish industrial white-collar workers. The other researcher is Juhana Vartiainen (2001) who has written a report on the whole wage and salary earner population using pay statistics and the Oaxaca decomposition.

In her first mentioned report (1999) Reija Lilja has studied gender differentials in career mobility and wages in the banking sector over the 1990-1997 period. The data used in her empirical analysis were derived from a random sample of 10,870 individuals who were employed in the banking sector in 1990. For a longer term analysis she studied the labour market status and wages of those employees who were still employed in the banking sector in 1997. In both years there were altogether 5,363 individuals in the sample.

During the observation period the financial sector plunged into a deep crisis. The unexceptional situation in the banking sector was reflected among those who remained employed. Some of the employees faced difficult

choices: either choose a less demanding job or exit from the sector. In these kinds of situations men appear to have chosen to exit option more often than women. The findings also support the hypothesis that gender differences in career mobility appear because it is more difficult in typical female jobs to get a promotion than it is in typical male jobs.

According to the results, about 38 percentage points of the gender wage differential in 1990 was due to the fact that men and women had different characteristics. Six percentage points was due to the fact that men and women did not get similar returns for these characteristics (discrimination component). In 1997 the corresponding figures were 42 and 9 percentage points. On the other hand, a large bulk of the gender wage differential was due to the fact that women and men were working in different jobs. If there is discrimination in the selection process to these jobs, the discrimination component receives higher values than those presented above.

The division into two components, differences in productivity characteristics and discrimination component, introduced by Oaxaca (1973), has been used in these calculation. The background characteristics used in the regression model were age, experience in the banking sector, education, region, status and tasks at work, and job grades. My own evaluation is that if characteristics like status and position or job grades had not been used in the decomposition, the discrimination components would have been much higher. One can ask whether it is right to put these variables into the model, because they are not personal characteristics that influence productivity.

Using Reija Lilja's analysis and comparing with other Finnish and international studies, it is possible to say that the gender discrimination in the banking sector is quite modest. It has grown, however, between the years 1990 and 1997. The reason for this is that changes in pay have been more beneficial to men than to women.

Pay increases connected with promotion were higher among men than among women. Recruitment policies do not correct this because immediately after their recruitment new employees start working in the internal labour market, in which the discrimination mechanism will little by little increase the gender wage differentials. (Lilja 1999.)

The other study conducted by Reija Lilja using the adjusted wage gap analysis concerns Finnish industrial white-collar workers. The data set was collected by the Confederation of Finnish Industry and Employers covering the 1980-1995 period. The evolution of the gender wage gap is analysed separately at three different levels of education (basic, secondary, and university level) to determine whether the same level of education provides similar career and earnings prospects for men and women.

According to the data, the overall gender wage differentials in the three groups are rather stable over time. Among the employees with only basic education women's wages are about 66 per cent of those of men's

throughout their careers. In the group of employees with secondary education, women's wages are 73 per cent, and in the group of employees with university education 85 per cent, of those of men.

The results show that with the employees with only basic education, 15 per cent of the gender wage differential at the beginning of the career is due to the fact that men and women have different characteristics and 20 per cent is due to different returns for these characteristics (the unexplained wage gap). In this group, the decomposition of the wage gap remains relatively stable over working careers.

With the employees with secondary education, 18 per cent of the gender wage gap at the beginning of the career is due to the fact that men and women have different characteristics, and 15 per cent is due to differences in the remuneration for these characteristics. Over the years, male and female employees become similar in terms of observed characteristics, and the gender wage gap due to these characteristics diminishes. The contrary is true where the wage gap reflects differences in the returns for these characteristics, for the gap rises to 26 per cent, which is an even higher figure than that for employees with only basic education.

A similar pattern applies to employees with university education. On the one hand, the gender wage gap resulting from differences in observed characteristics is rather small and declines over time. It is 6 per cent at the beginning of the career and 1 per cent after ten years of employment. On the other hand, the gap due to differences in the returns for these characteristics rises over time. At the beginning of the career the unexplained wage gap is 13 per cent, but rises to 18 per cent after 10 years of employment.

The fact that age and tenure have such a strong impact on the unexplained gender wage gap suggests that differential movement along job ladders is an important potential factor in explaining the evolution of male-female wage differentials over their careers in Finnish industry. There appear to be more "good" careers available for men than for women. The growth in the unexplained gender wage gap at the secondary and university educational levels is in line with the different promotion rates between the two genders. At the basic educational level, the stability of the corresponding gender wage gap may simply be a reflection of scarce promotion possibilities in this group of employees as a whole. (Lilja 2000.)

Reija Lilja refers to the problems in the two-component analysis with the following remarks:

" To what extent the above two components represent productivity differences and to what extent discrimination has been widely discussed in the empirical literature. According to Gunderson (1989), the greater the number of variables used to control for differences in productivity-related factors, the smaller the productivity-adjusted wage gap. Thus, the nature and number of background explanatory factors in wage equations affect the measurement of the characteristics and coefficient components in empirical estimations. What is discrimination and what is not is further complicated by the fact that differences in the background variables (e.g. occupation, job requirements, etc.) may themselves be the result of discrimination…" (Lilja 2000, 84.)

Oaxaca method used for the whole population

Juhana Vartiainen has published a study about gender wage differentials using the Oaxaca method in his analysis (Vartiainen 2001). His study extends to the whole wage earning population. For this he has used the extensive databases with have been collected by Statistics Finland. In his report, wage decomposition models have been made using the Finnish Structural Earnings Statistics and Income Distribution Statistics.

Vartainen's results show that only quite a small proportion of the gender wage gap can be explained through such personal characteristics and variables as age and education. In other words, the wage gap between men and women cannot be explained or justified by women having lower educational levels or being younger than men. If occupational class or area are also included as explainers in the model, about half of the 20 per cent wage gap can be explained. On average, women are paid about 10 per cent less than men even when they have the same educational level, are of the same age, and work in the same branch and occupation.

The situation is different in different employer sectors. Those working in the public sector have wage gaps of which even more than half can be explained. This is mainly because occupations are classified in less detail in the municipal and central governmental sectors than in the industrial or private services sectors.

In his report Juhana Vartiainen refers to earlier works of economists where it has become obvious that variables like education, work experience, and age have the clearest statistical influence on wages. Additionally, one can expect that behind these wage differentials are also productivity differentials.

Using Oaxaca decomposition Vartiainen also refers to some problems in the interpretation of the components. He describes the explained wage gap as the component which there is no reason to complain about or disapprove of from the point of remuneration. The other component is often called "discrimination". Vartiainen thinks that this is somewhat misleading because the component also includes background variables that are missing from the databases. Neither does he agree to calling this part "discrimination". (Vartainen 2001, 12.)

According to Vartiainen's report, the sensible economic idea in Oaxaca decomposition is that the background variables are supposed to correlate with individual productivity and that wage differentials based on differences in productivity are acceptable. It is easy to reason that education, age, and work experience correlate with productivity. One very essential variable, but difficult to interpret, is *occupation*. This is why the decision of whether to include occupational groups in the analysis or exclude them from in is a major one. According to Vartiainen, the original idea of Oaxaca was that occupational groups should not be included. In that way it would be possible to see if women and men with similar individual characteristics were being treated equally. (Vartiainen 2001, 21.)

All in all, the Finnish results obtained using the Oaxaca decomposition show that when occupation is not used as an explaining variable the breadth of the wage gap does hardly changes at all. This is why Vartiainen finds it im-

portant to add occupation and industrial sector to the model. The main findings concerning 1998 have been collected into the following table.

Table 10. The Oaxaca decomposition of the gender wage gap in the whole employee population in 1998, using male coefficients as references

Variable	*Diff. in characteristics*	*Diff. in returns*	*Sum*
- Fixed-turm employee	0.29	..	..
- ISCO occupation	5.22	..	..
- Industry	5.82	..	..
- 2-dig. education	0.97	..	..
- Size of firm	0.28	..	..
Selection, total	*12.58*	*5.26*	*17.84*
- Age in years	-3.44	0.72	-2.72
- Age square	2.36	2.67	5.03
- Number of children (-18)	0.13	1.41	1.54
- Number of children (-7)	-0.05	0.07	0.02
Sum	*11.58*	*10.13*	*21.45*

According to the table it is obvious that wage differentials cannot be explained by any other variable than occupation and industrial sector. This also means that occupations and different fields of work are treated in an unequal way. It also seems odd to consider these variables as individual characteristics.

Some remarks on the Finnish studies on gender wage differentials

In this chapter about the Finnish studies on gender wage differentials I have introduced mainly two types of studies: those using some kind of a decomposition method, mostly the Oaxaca one, and those that have mainly used standardisation for the description of wage differentials in different groups. The latter ones are my own studies using data from the Quality of Work Life Surveys in the analyses.

In Finland it is quite easy to get good information on wages because there are very good statistics concerning them, as already pointed out in the first chapter of this report. However, it is not easy to obtain all the essential information, or use variables like work experience in big statistical systems, such as the Index on Wage and Salary Earnings, Structure of Earnings Statistics or Income Distribution Statistics. This is why I have given so much scope for sample surveys like the Quality of Work Life Survey. It has proven reliable in wage questions because of the very high response rate (79%) and very low partial non-response it has produced on the question concerning remuneration. With the help of this sample survey, it has been possible to analyse all the most relevant vari-

ables, that is, educational level, work experience, employer sector and the composition of gender relations at work organisations, together with the gender wage gap.

As to statistical decomposition models, they have highlighted the very essential question of whether occupation and industrial sector should included in analyses as characteristics of individual productivity. All the studies refereed to here - two of Reija Lilja and one of Juhana Vartiainen - show that only by including these variables can any essential part of the gender wage gap be explained. On the other hand, the results obtained thus far show that the biggest problem in the Finnish gender wage gap is that female and male occupations and sectors are not treated equally. This discrimination should not be hidden behind mathematical tricks, which has been done with the Oaxaca decomposition. The smallest possible discrimination percentage is already used as the starting point in wage negotiations. With the decomposition method wage discrimination can be almost totally obliterated because the model is very sensitive to the number of variables and classes (e.g. occupational) used.

Vartiainen refers in his study to a goal of "equal pay for equal work and equal individuals". To his mind using occupation and sector in the decomposition best leads to this goal. On the other hand, the equal pay policy of the European Union has for a long time already contained the idea of "equal pay for work of equal value". Finland has also adopted this ideal in the Finnish Equality Act of 1987 where the term "job of equal value" is used.(Helle 2001.)

In Finland, gender differences in education is a very interesting aspect when considering wage differentials. For quite some time now it has been statistically obvious that women have more education than men when counting the years spent in training. Women in Finland are the highest educated in the whole European Union. The proportion of those with tertiary education, in particular, is the highest in the EU among Finnish women at 38 per cent in the age group of 25-59, while the average among European women is 21 per cent. The corresponding figures for men are 30 per cent in Finland and 23 per cent in the EU. (Labour Force Statistics 2000.)

Work experience among women is also quite long compared to that of men. According to the Quality of Work Life Survey, women have only under 12 months less life-time work experience compared to men (18.9 contra 19.6 years). Corresponding figures are not available from the whole the EU, but using the figures of labour force participation rates over the past decades, it is obvious that women in Finland have much longer work histories and very short periods away from work outside the home for family reasons. Compared to a Canadian study where estimated work experience could be used for modelling wage differentials the average full-time work experience was clearly longer for men (18.3 years) than for women (14.4). In the decomposition of wages work experience showed to be a very clear explainer. (Drolet 1999.)

These facts make it quite understandable that Finland has this year received a recommendation from the Council of the EU to search for measures to diminish the gender wage gap. The 20 per cent gender wage gap in the favour of men is quite unreasonable by Finnish national standards.

The results of the Quality of Work Life Survey have show that when educational level is standardised, the private sector is the most problematic in the amount of return women get for their education and work experience . The gap between men and women is the largest at all levels in this. On the other hand, the problems between the sectors are the biggest in the public sector, especially the municipal one, which is fallen behind the pay development since the financial problems began at the beginning of the 1990s.

Finnish research into gender wage differentials has, in general, addressed many aspects of them. Distinction between the unadjusted and adjusted pay gaps is perhaps not the most essential to finding the best way to describe the gap. Studies that have used some way of decomposition or adjustment are not principally different from those using the unadjusted wage gap. The main problem arises from what is included in the decomposition model. If occupational and industrial sectors are included, the results can be misleading. In Finland this means that women's discrimination in pay becomes underestimated. This is crucial especially now that these adjusted figures are becoming more and more important in pay negotiations between labour market parties.

3. National institutional factors and the gender pay gap

National system of wage-setting and recent changes

In Finland collective agreements play a decisive role in wage-setting. Most employees and employers are members in labour market unions. In recent years, incomes policy agreements have been centralised, but in the long run the tendency has been towards decentralised agreements. This trend has mostly come from similar trends at the global level. However, the big economic recession at the beginning of the 1990s brought centralised agreements back, at least for a while. This was fortunate from women's perspective because for women centralised agreements have been better than decentralised ones.

Centralised agreements have two main advantages for women. First, centralised collective agreements mean solidarity in wage policy, so that strong employee unions do not take advantage of their position. Broad collective agreements have contained equality packages (equality supplements) or low wage supplements which have benefited especially women. Broad centralised income policy has also led to the establishment of common working groups for job evaluations and emphasised research programmes and projects on gender equality at the workplace level.

In spite of the fact that the recession brought back centralised agreements, there is a tendency towards more

individualised pay agreements, especially local negotiations. Unfortunately, women do not have enough power at the local level. Women particularly would need the support which occupational trade unions can offer.

Another feature connected with the individualisation process in wage-setting is different kinds payments by productivity. The forms can vary from performance-based pay systems to profit sharing. These extra bonuses can be individually-based, group-based or paid at the whole organisation level. Performance-based wage arrangements were on the agenda already at the end of the 1980s, but here again, the economic recession held back this development. Now these forms of payment are increasing again. Different kinds of performance-based pay systems present many problems from women's point of view, even if in principle it would be good to get paid according to your performance. First, very often women are left outside profit sharing arrangements. In particular office workers, such as secretaries, bookkeepers, and so on, who are usually women, may be excluded from them. Second, in typically female jobs, performance is often difficult to evaluate. Results in them are not countable, like profit or pieces in industrial work. The well being of a patient or pupil cannot be used as a criterion for pay. Besides, customers' well being depends on many things other than the worker producing services. Third, these kinds of pay systems easily lead to overtime work and hard competition, in which women cannot take part because of family responsibilities or, if they do, their families may suffer.

Low pay regulations

According to statistics, the low paid population is not very large in Finland. In fact, one of the goals of Finnish work life development programmes has for a long time already been the elimination of very simple, jobs with low pay and few advancement opportunities. Thus, low paid jobs do not constitute a very essential gender equality question in Finland. Endeavours to create reasonable jobs and women's good educational level have both prevented clear dumping of wages.

The facts that part-time work is not very widespread and domestic help and workers, for example, make up a very small proportion of the labour force mean that low paid jobs are not common. The state is subsidising employment by giving support to employers who hire unemployed persons, not by giving relief from statutory employer contributions which would make establishing of low paid jobs easier.

There is no statutory minimum wage in Finland. All wages are regulated according to the Employment Contract Act at the level of special branch agreements. These agreements have their own minimum levels for wages and even employers who are not union members have to adhere to the agreements on the branch. Nevertheless, there are some problematic areas which have no common agreements. Some of these problems have been recently solved in the Employment Contract Act by tightening the regulation on contracted workers.

Regulation of pay of part-time employees

Part-time work has not been a very significant form of employment in Finland. However, there are branches

were part-time working has been increasing over the past decade. Especially trade and retail trade have been relying increasingly on this type of work. At the same time, retail trade has become the branch were wages are lowest. The trade sector attracts especially women with low level of education. Consequently, part-time work and low paid jobs converge in this branch.

The parents of under school age (7 years) children are also entitled to shorten their working hours. This creates new groups of part-time employees, as also do those in part-time retirement, i.e. arrangements where employees in certain age groups can reduce their working hours. Until recently the applicable age limit was 55 but has now been raised to 58 years. This type of part-time work came perhaps too popular (30,000 persons at the moment), so the conditions were changed.

In the wage earning population part-time work is more common among women (173,000 in 2001) than among men (73,000). However, men's proportion has been increasing slightly in recent years, mostly due to part-time working combined with studying and to part-time retirements.

Childcare and parental leave

In Finland good childcare facilities make it possible and easy for all women to work outside the home. Every child under school age has the statutory right to municipal childcare. This has not changed since 1993. The only changes over the past ten years have concerned the allocation of resources for childcare. Children's daycare homes have been forced to increase their group sizes and the quality of the care has suffered.

Maternity leave (about 4 months), paternity leave (max 3 weeks) and parental leave (about 6 months) are compensated. The benefit is either earnings-related, meaning that the compensation rate is 60 to 70 per cent of earnings, or a minimum allowance if the person has no former income. Many branches have negotiated maternity leaves at full pay. Paternity leave is rarely fully paid, parental leave hardly ever.

After parental leave one of the parents at a time can stay on home care allowance until the youngest child is 3 years old. This law has been valid since 1985 and has diminished women's labour force participation somewhat. However, the amount of the allowance has changed many times. At the moment, the average time mothers stay away from work is about 1.5 years per child. Despite many endeavours, it is mostly women who utilise the different kinds of parental leaves.

Economic prospects for low pay sectors

Industrial work done by women has decreased significantly over the past two decades. Today, only 6 per cent of the female labour force do industrial work. Women's industrial work has been one of the lowest paid when compared to other sectors. For quite some time, one of fastest declining sectors in this respect has been textile and clothing industry. Nevertheless, the sector has been able to hold its labour force since the recession at some

15,000 employees. This has been possible because of heavy industrial rationalisations and the introduction of new technology. However, large parts of its production have been transferred to countries where labour force is cheaper than in Finland.

Another low pay sector that has declined over the past two decades is cleaning work. Since the recession this branch has also remained fairly stable, and is also likely to remain so in the future. Earlier, in the 1970s and 1980s cleaning occupations were the most typical among women (with over 80,000 employees). This fact clearly had a major influence on women's pay situation. Today about 53,000 women do cleaning work, over one third of them part-time.

Another occupational category where women have low wages and where part-time working is typical is trade, particularly retail trade. The numbers of retails trade employees have fluctuated considerably during the past ten years, but has now returned to the same level as before the recession: 78,000 females and 33,000 males. One half of the women work part-time. These numbers only include main jobs, i.e. there are also many who do a second job in the trade sector. Second jobs are not usually included in pay statistics, either.

Work in hotels and restaurants, especially as waitresses, has formed quite an essential portion of women's low paid jobs. At the moment there are about 80,000 women in these jobs. The corresponding figure for men is about 20,000. However, these occupations have changed in character and these days demand more education so their wages are not among the lowest anymore.

Public sector restructuring

As regards the public sector, the question of restructuring is not as essential as the deterioration of the whole sector, and especially the municipal sector. This began already at the beginning of the 1990s and is still going on. The financing of the public sector has been a target for political attacks and the state has decreased its share. At the same time, municipalities have gained much more independence and producing budgets has also become a political issue within them. The health and social service sectors frequently fail be allocated the additional resources they need as the population is ageing and becoming increasingly infirm. All this has meant that the wages in this sector have also been left behind. Education and childcare services are hanging on, but there, too, pay levels have stagnated.

The privatisation process in the municipal sector has proceeded but, up to now, not very far. It is also too early to say how it has influenced the pay level. Private care firms have to compete with prices. In that sense it is quite obvious that the pay of the staff cannot rise very high.

In the public sector care work, staff like nurses have many labour market problems at the same time: unemployment, short term contracts, low salaries and very hard pressure at work. This has caused an enormous movement

to foreign countries like Britain, Norway, Denmark and Sweden. Soon, these nurses will be needed back because about 150,000 employees will retire in municipalities within the next ten years. Hopefully, this will also mean attracting the nurses back with higher pay.

Other issues

In Finland, new wage systems have been implemented in nearly all sectors. In the public sector this means quite often that different work experience supplements have been abolished. Attained education has also lost its value. Now that women have more education than men, its devaluation has begun. Women's long work experience is also in danger when different kinds of wage individualisation processes have been carried out.

Women's high educational level had given rise to talk about over-education, that is, women being overqualified for the jobs they hold. These are claims which give even more emphasis to job evaluations. Were job evaluations done from women's perspective, they would show that typically female jobs are under-valued at the moment.

Following the recession, all technical occupations and sectors experienced a big boom and over-valuation in the 1990s. Micro-electronics was the field which lifted Finland from the recession. For at least 3 to 4 years this had a counter effect on endeavours to diminish the gender wage gap. There were many who thought that the only way women could reach men's pay levels would be to train themselves in micro-electronics and computer sciences.

Changes in work organisation, such as leaner production processes and less hierarchical organisation structures have also caused changes in pay relations and in women's position. At the moment, it is too early to say who have been winners in these changes. However, there is unanimity about the new requirements these changes have imposed on employees: social skills have become emphasised in both leading jobs and by production work in teams. This can be a good thing for women who are usually better in social relations. If these were included in job evaluations and pay criteria, women might get nearer the men's pay level.

Legal cases in pay discrimination have been quite rare in Finland. Only 12-20 requests of statement about wage discrimination have been sent yearly to the Equality Ombudsman's Office at the Ministry of Social Affairs and Health. This is much fewer than the questions on discrimination in recruiting. One reason for this is that it would take a lot of courage and money to raise a case of wage discrimination.

4. Policy review

The solution models presented for the elimination pay differentials can roughly be divided into two types: dissolution of the occupational segregation, or evaluation of the equal value of work. In equality policy terms these two have followed each other, so that the early objective was "equal pay for equal work". Later – and especially

after the dissolution of occupational segregation proved too difficult – the objective changed to ”equal pay for work of equal value”. Especially the work evaluation group, which was set up by the Finnish labour market organisations and operated throughout the 1990s, was aiming for the latter. (see Heiskanen 1996).

The strategy of equal value of work made its breakthrough in the USA and Canada in the 1980s and has since then also spread to other countries such as Finland. Joan Acker, among others, has documented the implementation of the strategy of work evaluation and the ”comparable worth” ideal in the USA in her publication ”Doing Comparable Worth” (1988). This book was also translated into Finnish in 1990.

Unlike in the USA and Canada, where legislation has been used as the tool for implementing the strategy of work of equal value, labour market organisations have had the key role in this respect in Finland. The organisations have also exploited the incomes policy system to improve the position of women in lowly paid jobs. By introducing so-called equality supplements, economic and incomes policy agreements have aimed to diminish the inferior pay development in lowly paid female-dominated fields (Yli-Pietilä 1992). As a whole, studies have shown that agreements have a decisive role in the gendered division of work appreciation, pay and employment conditions in Finland (Martikainen 1989, 1992).

Job evaluations have been the interest of labour market partners since the beginning of the 1990s. The problem is that this work does not seem to achieve any good results. Obviously, it is very difficult to create common measurements for the valuation of work. The job valuation systems have originally been developed to men’s work. That is why technical competence and leading tasks have traditionally been most highly evaluated. It would be more in women’s interest to get appreciation for social skills and achieved education. However, there is quite a struggle for evaluation points. In this struggle, as in job valuation in general, those who are the strongest are the winners.

In Canada, the pay equity legislation only makes comparisons possible between male or female dominated occupations if they belong to the same employer, which is why major branches of female dominated occupations are left outside. (Armstrong 1997.) Quite the same problem can be seen in Finland where comparisons between major male and female occupational groups have not succeeded. Job evaluation systems have been developed only inside special occupations, unions and work organisations, but job evaluations should be possible across occupational groups.

One good tool for evaluating the gender wage differential could be Equality Plans which should be done in every work organisation with more than 30 employees. This is stated in the Equality Act. Equality Plans would make wage differentials more transparent, when the distribution of male and female wages are presented in public documents. A big problem is that these Equality Plans only exist in very few organisations.

It should be possible to engage all levels of the labour market to reinforce equality policy concerning wages: the state level, union level and the plant level. Wage gaps are decreasing, but some new phenomena can have counter effects. Earlier, it was common to speak about “gender-neutral” wage systems. We would now need more “gender-sensitive” approaches. That would be real mainstreaming and gender impact assessment.

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Appendix table 1. Average monthly earnings of employees by sector (W/M %) 1985-1999

	Women's earnings as a percentage of those of men			
	Total	Private sector	Central government	Municipalities
1985	79	76	80	83
1986	80	77	80	83
1987	80	77	81	83
1988	80	78	82	82
1989	80	77	82	82
1990	80	77	83	83
1991	81	78	83	85
1992	81	78	83	86
1993	81	79	84	85
1994	81	79	82	85
1995	82	81	81	85
1996	82	82	80	85
1997	82	82	81	85
1998	82	82	81	85
1999	82	82	81	85
2000	82	83	81	85
2001	82	83	81	84

Source: Index of wage and salary earnings, Statistics Finland

Appendix table 2. Year-round, full-time employees according to different wage decile rates.

	D9/D1	D9/D5	D5/D1
Men			
1996	2.34	1.62	1.45
1997	2.5	1.69	1.48
1998	2.54	1.72	1.47
1999	2.47	1.68	1.47
2000	2.3	1.73	1.46
Women			
1996	2.02	1.53	1.32
1997	2.04	1.56	1.31
1998	2.03	1.52	1.33
1999	2.02	1.57	1.29
2000	2.00	1.53	1.31

D9/D1 = The ratio of the lowest to the highest decile
D9/D5 = The ratio of the median to the highest decile
D5/D1 = The ratio of the lowest decile to the median

Source: Income Distribution Statistics 2000, Statistics Finland.

The Quality of Work Life Survey: To make answering easier, the question about pay was ready classified. To calculate average earnings, each respondent was allocated the average of the income category given by him or her in the interview. The amount allocated as an average for the highest, open category in the 1997 survey was FIM 32,000. The number of cases in this category was only 18, in other words 0.6 per cent of all the data. The reliability of the data on pay is born out by the very small numbers of ”Don’t know” and ”Unwilling to answer” replies in all the Surveys: in 1984, 1.8% of the women and 1.8% of the men. In 1990, these proportions were 1.5% for women and 2.8 per cent for men. In 1997, the proportions had gone down to 0.8% for women and 1% for men.