

Implementing Gender Pay Equality within Icelandic Labor Law

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Abstract

This article examines the implementation of gender pay equality within Icelandic labor law. It focuses on the legal principle of equal pay for equal work and work of equal value, the Icelandic Equal Pay Standard ÍST85, mandatory certification, pay transparency, collective bargaining, and organizational enforcement. Using a normative juridical and qualitative literature-based method, the study analyzes Icelandic legal policy, academic literature, organizational research, comparative equality law, and labor-market studies. The analysis shows that Iceland has moved beyond a purely individual-complaint model by requiring covered employers to document, evaluate, and certify their pay systems. This institutional design improves transparency and shifts part of the burden from workers to employers. Nevertheless, certification does not automatically eliminate gender inequality. Occupational segregation, undervaluation of feminized work, unequal care responsibilities, managerial discretion, and limited enforcement may reproduce pay differences within formally compliant organizations. The article argues that effective equality requires integrated regulation combining certification, transparent criteria, collective bargaining, strong sanctions, independent auditing, and family policies that support equal labor-market participation.

Keywords

Gender Pay Equality; Icelandic Labor Law; Equal Pay; ÍST85; Pay Transparency; Gender Wage Gap; Collective Bargaining; Labor-Market Discrimination; Feminist Institutionalism; Equal Pay Certification



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INTRODUCTION

Iceland is widely recognized for its strong institutional commitment to gender equality, but international recognition does not mean that equality has been fully achieved in the labor market. Ólafsdóttir (2018) observes that Iceland ranks highly in international gender-equality comparisons while still experiencing significant differences in wages, labor-market participation, and access to positions of power. This distinction between formal leadership and substantive equality is central to understanding the implementation of gender pay equality within Icelandic labor law.

The principle of equal pay has two dimensions. The first requires equal remuneration for the same or substantially similar work. The second, more demanding dimension requires equal remuneration for work of equal value. The latter recognizes that jobs performed by women and men may differ in content but still have comparable value when assessed through skill, responsibility, effort, and working conditions. A legal system focused only on identical jobs may therefore fail to address occupational segregation and the systematic undervaluation of feminized work. Iceland's policy response is notable because it moves beyond the traditional model in which individual workers must identify discrimination, bring a complaint, and prove unequal treatment. The Icelandic Equal Pay Standard, ÍST85, creates an organizational framework through which employers must classify jobs, document remuneration, evaluate pay practices, and demonstrate that their pay systems comply with equal-pay principles. Andhov and Bergsson (2021) report that, from 2018, the standard became mandatory for companies with 25 or more employees operating in Iceland.

The policy therefore shifts part of the responsibility for detecting and preventing inequality from individual employees to employers and public institutions. The legal significance of ÍST85 lies in its preventive and organizational character. It does not simply prohibit discriminatory outcomes; it requires an employer to establish a system capable of identifying unjustified pay differences. This approach is consistent with feminist institutionalist theory, which understands inequality as embedded in organizational rules, routines, classifications, and decision-making structures. Wagner (2020) argues that the Icelandic Equal Pay Standard is based on a job-evaluation system and provides a framework through which equal pay for work of equal value may be pursued. At the same time, she warns that the value of feminized work remains insufficiently recognized within organizations.

The implementation of gender pay equality must therefore be assessed at several levels. At the legal level, the question is whether the state has adopted clear obligations and effective enforcement mechanisms. At the organizational level, the question is whether employers apply objective criteria, maintain accurate records, and correct unjustified differences. At the labor-market level, the question is whether pay equality policies address occupational segregation, career interruptions, part-time employment, parental leave, and unequal care responsibilities. At the social level, the question is whether work traditionally associated with women receives equal recognition and remuneration.

The Icelandic approach is also relevant beyond Iceland. Andhov and Bergsson (2021) examine the relationship between ÍST85, public procurement, and European

Economic Area law. Their analysis suggests that equal-pay certification may operate not only as a labor-law requirement, but also as a social condition connected to public purchasing and market access.

Lahuerta (2022) similarly places Iceland within the broader development of pay-transparency strategies, noting that transparency measures seek to expose the sources of inequality rather than relying exclusively on individual litigation. However, the existence of certification does not guarantee the elimination of gender inequality. A company may comply formally while retaining gendered job classifications, undervaluing care-related skills, or allowing discretionary bonuses and promotion practices to reproduce inequality. Wagner (2020) therefore identifies a paradox: a policy designed to correct gender inequality may rely on job-evaluation tools that themselves require careful examination. This article examines the implementation of gender pay equality within Icelandic labor law. It asks how Iceland's legal framework shifts from individual remedies toward organizational responsibility, how ÍST85 operates as a certification and transparency mechanism, and why structural inequality may persist despite formal compliance. The article argues that Iceland's model is innovative because it institutionalizes employer responsibility, but its effectiveness depends on the quality of job evaluation, transparency, auditing, enforcement, collective bargaining, and complementary family policies.

METHODS

This study uses a normative juridical method supported by qualitative legal analysis and structured literature review. The method is appropriate because the research examines the legal design and implementation of gender pay equality rather than estimating a new statistical wage-gap coefficient. The main object of analysis is the relationship between Icelandic labor law, the ÍST85 Equal Pay Standard, organizational certification, enforcement mechanisms, and broader policies affecting women's labor-market participation.

The primary materials consist of Icelandic legal instruments concerning gender equality, equal treatment, labor relations, pay equality, employer documentation, certification, and enforcement. The analysis also considers the legal and institutional structure of the ÍST85 standard, including its use of job classification, evaluation, pay-system documentation, internal procedures, and external certification. Andhov and Bergsson (2021) provide the basis for examining the legal status of mandatory ÍST85 certification and its interaction with public procurement and European Economic Area law.

Secondary materials include peer-reviewed articles, comparative legal studies, organizational research, labor-market analysis, and research on parental leave and collective bargaining. Wagner (2020) is used to analyze the relationship between job evaluation and equal pay for work of equal value. Foubert (2017) supports the assessment of judicial and non-judicial enforcement mechanisms in Iceland and other European jurisdictions. Lahuerta (2022) provides a comparative framework for assessing transparency as a regulatory response to persistent gender pay gaps.

The research proceeds through four analytical stages. First, the relevant legal rules and institutional mechanisms are identified and classified according to their function. These functions include prohibition, prevention, documentation, certification, transparency, enforcement, and remedy. Second, the study examines the shift from an individual-complaint model toward an employer-based compliance model. This stage evaluates whether the law places sufficient responsibility on employers to identify and correct unequal pay without requiring employees to bear the entire evidentiary burden. Third, the research analyzes the organizational operation of equal-pay certification. The analysis asks whether job evaluation is capable of comparing different occupations, whether feminized work is adequately valued, whether managerial discretion is controlled, and whether pay systems can distinguish legitimate differences from discriminatory ones. Wagner (2020) is particularly important because her analysis identifies both the potential and the limitations of the Icelandic standard.

Fourth, the study connects equal-pay regulation to wider labor-market institutions. It considers collective bargaining, occupational segregation, parental leave, care responsibilities, and access to managerial positions. Brochard, Charpenel, and Pochic (2020) demonstrate that equal-pay policy cannot be understood solely through statutory rules because implementation depends on bargaining, employer commitment, sanctions, and organizational practice. Arnarson and Mitra (2010) show that Icelandic parental-leave reform was designed to distribute leave between mothers and fathers and thereby influence gender equality in the labor market. The findings are synthesized through feminist institutionalism, the theory of legal implementation, and the equal-pay-for-work-of-equal-value principle. Feminist institutionalism is used to identify how apparently neutral organizational procedures may reproduce gender hierarchy. Legal implementation theory is used to distinguish formal enactment from practical compliance. The equal-value principle is used to evaluate whether the legal framework addresses occupational segregation and the undervaluation of women's

work. The analysis is qualitative, interpretive, and comparative, with emphasis on the interaction between law, institutions, organizations, and labor-market behavior.

FINDINGS AND DISCUSSION

The analysis shows that Iceland's most significant contribution to gender pay equality is the movement from a reactive legal model toward a preventive institutional model. Traditional equal-pay systems generally depend on an individual worker discovering unequal treatment, comparing wages, initiating a complaint, and proving discrimination. This model is difficult to use because pay information is often confidential, job comparisons are complex, and workers may fear retaliation. Lahuerta (2022) notes that equal-pay claims have historically relied heavily on individual or collective complaints, while newer transparency systems seek to disclose pay information and identify the sources of inequality. ÍST85 changes this structure by requiring covered employers to establish and document a pay system capable of demonstrating equal treatment. Andhov and Bergsson (2021) report that mandatory certification applies to companies with 25 or more employees operating in Iceland.

The legal significance of this threshold is practical: larger organizations generally possess sufficient administrative capacity to maintain job descriptions, pay records, evaluation systems, and internal equality procedures. The requirement also creates an external compliance signal that can be used by regulators, employees, trade unions, customers, and public authorities.

The standard's preventive character is particularly important because the gender pay gap is not always produced by explicit discrimination. It may arise through historically gendered job categories, unequal access to bonuses, different promotion opportunities, informal salary negotiations, interruptions in employment, or the undervaluation of skills associated with women's work. A legal system that prohibits only direct unequal treatment may not detect these mechanisms. Organizational certification can expose them by requiring employers to examine the structure of remuneration rather than focusing only on isolated cases.

The strongest theoretical foundation for this approach is the principle of equal pay for work of equal value. The concept allows comparison across occupations that are not identical but involve similar levels of skill, responsibility, effort, and working conditions. This is essential in an economy where women and men may be concentrated in different sectors. If women are overrepresented in care, education, administration, or service work, and men are overrepresented in technical, industrial, or managerial positions, a comparison limited to identical jobs will miss structural inequality.

Wagner (2020) identifies both the strength and the difficulty of this approach. The Icelandic standard uses job evaluation to compare work of equal value, yet job evaluation itself may reproduce gender bias if the criteria fail to recognize the complexity, emotional labor, responsibility, or relational skills required in feminized occupations.

The result is a central implementation paradox: objective-looking tools are not automatically gender-neutral. Their criteria, weights, data, and institutional assumptions must be examined continuously. This finding supports a feminist institutionalist interpretation. Institutions are not neutral simply because they use formal procedures. A classification system can reproduce past inequalities when it is based on historically male-dominated models of work. For example, physical effort may be valued more clearly than emotional responsibility; technical qualifications may be rewarded more consistently than communication and care; and managerial authority may receive greater recognition than coordination and relational labor. Equal-pay certification should therefore require employers to justify the design of evaluation criteria and demonstrate that feminized work is not systematically undervalued.

The second major finding concerns transparency. Pay transparency is not an end in itself, but a condition for meaningful accountability. Employees cannot challenge unequal pay when they lack information about salary structures, job classifications, bonus criteria, or promotion systems. Transparency makes organizational decisions visible and allows employees, trade unions, regulators, and courts to identify patterns that would otherwise remain hidden. Lahuerta (2022) explains that transparency measures are designed to disclose pay information to relevant stakeholders and clarify the sources of inequality. Nevertheless, transparency involves legal and practical tensions. Salary information may contain personal data, and disclosure may impose administrative costs, particularly on smaller employers. Transparency rules must therefore protect privacy while ensuring that aggregated information is sufficiently detailed to reveal patterns. Employers should disclose pay ranges, evaluation criteria, gender-disaggregated pay data, bonus structures, and explanations for significant differences. Confidentiality cannot be used to prevent workers from understanding the operation of the pay system.

The third finding is that certification is more effective when connected to enforcement. A certificate without meaningful consequences may become symbolic. Foubert (2017) emphasizes the importance of both judicial and non-judicial enforcement of equal-pay principles in Iceland and other European jurisdictions.

Effective enforcement should include administrative supervision, employee access to information, trade-union participation, independent auditing, correction orders, financial penalties, and accessible judicial remedies. The legal design should also address the evidentiary burden. Individual workers may not possess the information needed to prove unequal pay. If employers control job descriptions, salary data, performance criteria, and promotion records, they should bear a substantial duty to explain pay differences. The burden should shift when a worker demonstrates a *prima facie* disparity between comparable work. This approach is consistent with the preventive logic of certification because an employer should be able to justify its pay structure through documented and objective criteria.

The fourth finding concerns the relationship between law and collective bargaining. Iceland has a strong tradition of collective labor-market institutions, and collective bargaining may support pay equity by standardizing wages, defining job classifications, and reducing arbitrary individual negotiation. However, collective bargaining does not automatically eliminate gender inequality. It may reproduce occupational segregation if female-dominated sectors remain undervalued or if bargaining priorities focus more strongly on traditionally male occupations. Brochard et al. (2020) demonstrate that equal-pay implementation depends on the interaction between state policy, collective bargaining, employer practice, feminist mobilization, and sanctions. Their analysis shows that a legal framework without effective penalties may encourage symbolic compliance, while stronger regulation can still be weakened by limited employer commitment. In Iceland, trade unions should therefore participate in job evaluation, auditing, certification review, and the correction of unjustified wage differences.

The fifth finding concerns organizational leadership. Formal procedures operate through human decision-makers. Managers determine recruitment, starting salaries, performance assessments, bonuses, promotions, and access to training. If managers do not understand equal-value evaluation or perceive certification as administrative paperwork, the system may produce documentation without substantive change. Research on managers' experiences of equal-pay certification is therefore important because it reveals how legal standards are interpreted and applied inside organizations. Hafsteinsdóttir et al. (2020) examine managerial experiences of the impact of equal-pay certification on the wage environment, providing evidence that implementation depends on organizational understanding and managerial practice.

The sixth finding is that Iceland's high level of formal equality coexists with persistent structural inequality. Ólafsdóttir (2018) reports that Iceland remains

internationally advanced while still experiencing a significant gender wage differential and barriers linked to stereotypes and unequal participation.

This indicates that pay certification cannot resolve all causes of inequality. It must be combined with measures addressing occupational segregation, care responsibilities, parental leave, leadership representation, and social valuation of different forms of work. Parental-leave policy is particularly important. Arnarson and Mitra (2010) explain that Iceland's 2000 parental-leave law extended leave to nine months and allocated separate portions to mothers and fathers, with a shared period available to either parent. A policy that encourages fathers to take leave may reduce the assumption that women are the primary caregivers and may support more equal career progression. However, leave policy alone cannot guarantee pay equality if workplace cultures penalize absence, if fathers do not use their entitlement, or if women continue to perform most unpaid care work. The seventh finding concerns the relationship between equal-pay certification and public procurement. Andhov and Bergsson (2021) analyze whether the Icelandic standard can be applied in public procurement and whether such application is compatible with European internal-market rules. This connection is strategically important. Public authorities can use procurement as a market incentive by requiring contractors to demonstrate compliance with equal-pay standards. Such requirements extend equality policy beyond the workplace and make responsible employment practices relevant to access to public contracts.

The procurement model also raises proportionality concerns. Requirements must be clear, transparent, non-discriminatory, and administratively feasible. Smaller businesses may face greater compliance costs, and public authorities must avoid using certification as a formal label detached from actual equality outcomes. Procurement should therefore evaluate both certification and evidence of implementation, including pay-gap correction, transparent job evaluation, and employee participation. The final synthesis is that Iceland's framework is innovative but not self-executing. ÍST85 strengthens legal implementation by requiring employers to organize information, assess job value, and demonstrate compliance. It reduces dependence on individual litigation and creates a preventive culture of accountability. Yet formal certification may coexist with gendered job evaluation, managerial discretion, occupational segregation, and unequal care responsibilities. The law can structure incentives and create transparency, but it cannot by itself determine how society values different types of work.

Effective implementation therefore requires an integrated policy system. First, the standard must recognize the value of feminized work. Second, pay data and evaluation criteria must be transparent. Third, certification must be subject to independent audits and meaningful sanctions. Fourth, employees and trade unions must participate in the process. Fifth, legal enforcement must include accessible remedies and a fair allocation of the evidentiary burden. Sixth, family and labor-market policies must support equal participation by women and men. Iceland's experience shows that gender pay equality is not achieved by a single statute; it requires continuous institutional work.

CONCLUSION

The implementation of gender pay equality in Iceland demonstrates a significant shift from formal prohibition toward organizational responsibility. The ÍST85 Equal Pay Standard requires covered employers to document, evaluate, and certify their remuneration systems, thereby moving beyond the traditional model in which individual workers must independently identify and litigate unequal pay. The Icelandic model is legally and institutionally important because it recognizes that gender inequality may be produced by organizational structures rather than explicit discriminatory intent. Job classifications, discretionary bonuses, promotion systems, occupational segregation, and the undervaluation of feminized work may generate unequal outcomes even where employers formally support equality. Certification, transparency, and employer documentation make these processes more visible and create a basis for correction.

However, certification is not equivalent to substantive equality. Its effectiveness depends on the quality of job evaluation, recognition of care and relational work, independent auditing, employee and trade-union participation, accessible remedies, and meaningful sanctions. The framework must also be supported by parental-leave policies, equal care responsibilities, anti-stereotyping measures, and stronger representation of women in decision-making positions. Iceland's experience confirms that legal equality requires interaction between law, institutions, organizations, and social policy. The article concludes that the most effective model combines equal-pay certification with transparency, collective bargaining, public procurement incentives, administrative supervision, and judicial enforcement. Iceland should continue strengthening the substantive assessment of work of equal value and ensure that compliance mechanisms measure actual outcomes rather than merely the existence of formal procedures. The broader lesson is that gender pay equality is an institutional process, not a one-time legal achievement. Durable equality requires continuous

monitoring, transparent accountability, and the willingness to revise organizational rules that reproduce gendered economic disadvantage.

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