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Abstract

## **The land of labor agreements – how ready is Finland for EU pay transparency directive?**

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### **Purpose**

The EU Pay Transparency Directive was adopted by the European Council on April 2023, and it should be implemented by EU member states by June 2026. The directive is to strengthen the existing legislation of equal pay between genders through increased pay transparency. The new act will push organizations towards more transparent pay basis (i.e. reasons for pay differences) forcing organizations to increasingly analyze and justify pay differences between men and women.

The new act demands the use of pay structures, ensuring “*that there are no gender-based pay differences between workers performing the same work or work of equal value that are not justified on the basis of objective, gender neutral-criteria. (DIRECTIVE (EU) 2023/970, 26)*”. Although the final outcomes of the new legislation are yet to be seen in Finland, it is clear, that pay differences between jobs needs to be justified more transparently than before at the organizational level.

The implementation of the act will be particular in countries such as Finland, where labor unions, i.e. employee and employer parties, and their negotiated labor agreements influence strongly to pay systems and pay levels organizations implement. Organizations need to operate withing these frames although some agreements leave space for some customization for pay system used. In the future, when the new transparency directive is implemented in Finland, organizations must meet the demands of both collective agreements *and* the directive in their company level pay practices.

Collective agreements and the core idea of the new transparency directive – equal pay for equal work – can both be seen as institutional structures that have rationality and legitimacy of their own. However, if their demands are not aligned, possible tensions can arise and lead to decoupling of either agreements or directive at the company level. This study adopts institutional approach for Pay transparency directive implementation in Finland and examines, how well pay systems in Finnish collective labor agreements meet the requirements of the new directive. We study, what kinds of job-based pay systems there are in Finnish collective labor agreements and how they support or hinder implementation of the key aspect of the new directive, that is, equal pay for equal work. We will also discuss the possible future steps for overcoming the identified challenges.

## **Design/methodology/approach**

The data of this research is Finnish collective labor agreements. The analysis process could be described as abductive content analysis, starting with an initial coding list which was supplemented as the process went on.

## **Findings**

Three types of job-based pay systems were identified from the collective agreements: pay systems based on analytical job evaluation, systems based on job grade descriptions and systems based on job titles. In addition, some agreements included different kinds of pay systems for different employee groups.

When comparing the found pay systems in agreements to requirements of the directive, two types of institutional tensions were identified: *tension of pay determination transparency* and *tension of multiple structures*.

## **Practical implications and social implications**

Even the study concentrates in specific situation in Finland, results are valuable to all EU-countries, where organizations need to align the current pay systems to requirements of the pay transparency directive.