

Navigating Change: The EU Pay Transparency Directive – Insights and Practitioners’ Notes from Sweden and Finland

Karikoski, Sanni; Nylander, Minna, Fairness & Friends Oy, Olsson, Lisa, L.O. Rewards AB

Purpose

This presentation explores the differences between Finnish and Swedish practices in promoting gender pay equality according to the EU Pay Transparency Directive (1) which is set to be incorporated into national legislation by June 2026. We focus on insights from practitioners familiar with current practices and the anticipated impacts of the directive. We will provide an overview of the situation in Sweden, compare it with Finland, delineate the changes mandated by the directive, identify concerns raised by Finnish interviewees in spring 2024, and highlight three common themes relevant to both countries.

Sweden was the first EU member state to publish a national guideline report (2) on implementing the Pay Transparency Directive. This guideline not only influences Sweden, but also serves as a potential framework for other EU nations. Finland's national guideline report is under development, with a projected release in March 2025 (3).

Currently, Sweden’s gender pay analysis, known as “Lönekartläggning,” targets companies with more than ten employees and is conducted annually. This analysis consists of assessments for equal jobs, equivalent jobs, and various levels of equivalent jobs (4). The reporting process is detailed and requires substantial resources, where the increasingly stringent national guidelines present challenges for compliance.

In contrast, Finland faces a relatively high unadjusted gender pay gap of 15.5%, exceeding the EU average of 12.7% and Sweden's rate of 11.1% (5). Factors such as gender segregation in education and the labor market contribute to this disparity. Both countries have public authorities and an ombudsman for equality to ensure compliance with the Act on Equality between Women and Men. However, the resources allocated to the ombudsman are limited especially in Finland (6) and guidance on equality reporting remains insufficient. Sweden’s established practices could potentially provide Finland with beneficial components to enhance its own gender salary reporting model.

Both nations share common challenges regarding increased transparency and modifications to the burden of proof for pay equity.

Approach

This presentation adopts a practitioner-centered perspective, highlighting insights from experts and relevant documents, including the Pay Transparency Directive and the Swedish National Guideline Report. The data also comprises of 13 interviews conducted in Finland during spring 2024, aligned with the founding phase of Fairness & Friends.

Findings

Despite Sweden's longstanding Lönekartläggning process, recognized as "best in class" for gender pay analysis, the country has struggled to drastically reduce its pay gap, which currently hovers around 11% (5). The Pay Transparency Directive has raised questions about whether it will create an "administrative monster" or effectively drive systemic changes toward closing the gender pay gap. Concerns have arisen that the directive might undermine the Swedish model of labor relations and lead to excessive bureaucracy.

Interviews with 13 professionals from large organizations and political figures revealed similar concerns regarding equal pay and the potential marginalization of performance factors. Participants emphasized the importance of understanding inadequate job evaluation methodologies that can result in poor data quality and discriminatory salary practices. Many expressed that their organizations seem unprepared and ill-informed about the directive and its everyday implications.

Practical and social implications

We identified three common themes for both countries that have significant implications, both practical ja social, to the current situation:

First, Increased Transparency and burden of proof: A shift is occurring in the responsibility dynamics between employees and employers, intensifying employer obligations on transparency requirements. This will have a significant impact on pay policies and pay practicalities in organizations.

Second, Equal Pay and Pay for Performance: Finding a balance between equal pay and performance-based compensation remains as a significant challenge. There is a fear of the Directive developing towards a more tariff-like salary setting approach, where employers fear to differentiate with the risk of being accused of discrimination. This would lead to at least changes in the pay for performance principles in organizations.

Third, New reporting requirements without a setup of new regulatory bodies: The growing role of the ombudsman on equality, is already set in Sweden's national guideline report, but what would be the situation in Finland? There is a clear increase in the requirements for reporting and communication in Sweden, and if Finland will develop similar guidelines as to Sweden there will clearly be an increased need for resources and budget. These new reporting requirements leads to discussions at a societal level as well as budgeting challenges in both countries.

Originality/Value

This presentation offers valuable practitioner insights into the implications of the Pay Transparency Directive in Sweden and Finland, providing key takeaways for both countries and other EU member states. Despite being at different stages in adapting to the directive, Sweden and Finland share common challenges. Increased collaboration on pay transparency could enhance practices and policies that are aligned with the directive's objectives, ultimately bolstering gender pay equality initiatives across the Nordic region and beyond.

References:

- (1) DIRECTIVE (EU) 2023/970 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 10 May 2023 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023L0970>
- (2) Genomförande av lönetransparensdirektivetSOU 2024:40, <https://www.regeringen.se/rattsliga-dokument/statens-offentliga-utredningar/2024/05/sou-202440/>
- (3) <https://stm.fi/-/tyoryhma-valmistelemaan-palkka-avoimuusdirektiivin-taytantonpanoa->
- (4) <https://www.do.se/arbetsgivare-ska-forebygga-diskriminering/kontinuerligt-arbete-mot-diskriminering-fyra-steg/undvika-diskriminering-loner/lonekartlaggning-enligt-diskrimineringslagen>
- (5) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics#Gender_pay_gap_levels_vary_significantly_across_EU
- (6) Saari, M. (2015). Symboliseksi sovittu – tasa-arvosuunnittelun ja palkkakartoituksen legitimizeetti. *Oikeus*, 44(1), 44-68.