The Corporatist Regime, Welfare State Employment, and Gender Pay Inequity

Corresponding author: Paula Koskinen Sandberg, University of Tampere, Faculty of Social Sciences, Gender Studies, 33014 University of Tampere, email: paula.sandberg@uta.fi

Abstract: Mainstream economics conceptualizes wages as determined by market forces and reflecting productivity and investments in human capital made by individuals. These views, which have become taken-for-granted explanations of what wages are, hide the underlying dynamics of the gender pay gap and place responsibility on individuals instead of gendered social structures. This article proposes viewing gender pay inequity through a sociological lens, which implies acknowledging the complex societal dynamics and roles of institutions and actors in shaping wages. The Nordic welfare states are often considered women-friendly, providing female citizens with social policies and services that have enabled their extensive participation in paid employment. Simultaneously, the Finnish welfare state has relied heavily on inexpensive labour provided by women, thus actively contributing to the formation of a secondary female-dominated labour market. The secondary status of reproductive work conducted within the public sector has been further strengthened and institutionalized by the Finnish corporatist system via collective agreements. In policy-making, the central actors defend their vested interests through non-decision-making, limiting the scope of decision-making to non-threatening issues. This article discusses the dynamics of the Finnish corporatist regime, welfare-state employment, and the impact of both on gender pay equity in Finnish society.

Key words: Welfare state, Gender pay gap, Corporatism, Institutionalized undervaluation, Non-decision-making
Introduction

“The gender pay gap is also about attitudes. Girls should be shown pay scales for different jobs so that they will not choose low-paying jobs.” A high-profile Finnish female economist on a panel at a seminar held in Helsinki, Finland, October 2017.

The quote above exemplifies the dominant rhetoric in public debates about the gender pay gap in Finland. This dominant rhetoric is based on views typically expressed by economists that emphasize the role of individual choice in labour-market outcomes, such as the gender pay gap. According to this view, female-dominated jobs in the public sector are inherently lower paying; accordingly, to attain equal pay, women should choose to work elsewhere. This article adopts a different view, arguing that, when studying the gender pay gap, it is crucial to analyse the wider societal and institutional context as well as central actors and power relations. In this article, the focus is on institutions and institutional actors: the welfare state, the corporatist regime and central labour-market organizations.

The great majority of current scholarship on the gender pay gap has been conducted within the field of economics. Research on gender pay equity mainly focuses on human capital and variables explaining the gender pay gap (classics include Becker, 1964; Mincer, 1958; Oaxaca, 1973; for critiques, see Grimshaw & Rubery, 2002; Jefferson & Austen, 2015). This literature is based on certain underlying assumptions; namely, that individuals make rational choices, and that investments in human capital and market forces shape the wage relativities between different industries (e.g., Becker, 1994; Mincer, 1958). These views dominate both academic and policy discussions as well as public debates on equal pay in Finland. This article challenges these mainstream economic views on wages and the gender pay gap by analysing the central features of Finnish society, its institutional context, and its central actors, as well as how all of these
uphold the gendered structure of the labour market and the persistent gender pay gap. In addition, this article focuses on the power relations and vested interests of central actors, such as labour-market organizations, that protect male privilege within the labour market. The Finnish case is insightful since it yields a better understanding of the core problems in promoting gender equality in a context which, although relatively progressive in terms of gender equality, remains incomplete in its implementation of gender-equality objectives and related policies.

This article reviews and discusses previous multidisciplinary research and scholarship on equal pay and the societal dynamics involved in wage determination practices (see for example, Austen, Jefferson, & Preston, 2013; Figart, Mutari, & Power, 2002; Grimshaw & Rubery, 2007) and the corporatist regime and welfare-state employment (e.g., Hernes, 1987; Mandel & Semyonov, 2005, 2006; Walby, 1990). Also, the article presents two examples of how persistent disadvantages for women in the Finnish labour market are generated through a mutually reinforcing dynamic.

This article contributes to previous scholarship by offering a macro-level sociological analysis of the dynamics behind the gender pay gap. Like many other scholars, I argue that the Nordic welfare state is not as women-friendly as commonly believed (for other critiques, see Borchorst & Siim, 2002, 2008; Mandel & Semyonov, 2006; Petersen, 2011). Many earlier critiques focused on family policies, social policy and the impact of both on women’s labour-market situation. A contribution to the existing literature is made by elaborating upon the role of the welfare state in creating a secondary position for women in the labour market as an employer of women. The welfare state has relied heavily on inexpensive female labour and has therefore actively contributed to the secondary labour-market position of women (see also Hernes, 1987; Walby, 1990). The article also discusses the role of central labour-market organizations in both
institutionalizing wage relati\-\sabilities between different industries in the Finnish labour market and protecting their vested interests in equal-pay policy, over which they have a powerful influence (Koskinen Sandberg 2016a; Koskinen Sandberg, Törnroos, & Kohvakka, 2017).

The following research questions are addressed in this article:

1) *How does the Finnish welfare state system and corporatist regime impact upon gender relations in the Finnish labour market?*

2) *How, and through what mechanisms, do central labour-market institutions contribute to the perpetuation of gendered labour-market practices and the gender pay gap?*

Two examples are presented: the institutionalized undervaluation of women’s work in the collective agreements of the Finnish local government sector (Example 1), and the tripartite policy process and non-decision-making in the renewal of Finnish gender-equality legislation (Example 2). These cases exemplify the dynamics involved in upholding the gendered Finnish labour market and the persistent gender pay gap by illustrating how the same actors negotiate on conditions of work and then prevent further investigation of the gendered impacts of the wage determination processes that they have negotiated.

**Viewing Wages through a Sociological Lens**

How we understand the dynamics of the labour market, wages and gender relations is at the heart of debates on gender pay equity and the gender pay gap. In Finland and elsewhere, economists dominate the debate on the gender pay gap. As a field of study, (mainstream) economics is based on a certain assumption about how the market functions and how individuals behave, an assumption that is in many ways at odds with the views expressed in other fields of study, such
as sociology (e.g. Rubery et al., 2005; see also Austen et al., 2013). Mainstream economics sees wages as determined by market forces and reflecting productivity and the investments in human capital made by individuals (classics include Becker, 1964; Mincer, 1958). According to this view, the main reasons for the gender pay gap are understood to be the different attributes and behaviours of individual men and women that result in divergent career paths and gender segregation in the labour market (more recent Finnish studies include Korkeamäki, Kyyrä, & Luukkonen, 2004; Napari, 2008; Vartiainen, 2001). The specifics of these studies vary, but the basic logic remains similar. The different value attached to work conducted by men versus women is typically not questioned. Instead, economists believe that encouraging women to work in traditionally male-dominated jobs is the solution to the persistent gender pay gap. Since the expertise of economists is highly valued in Finnish society, their views have become part of the taken-for-granted, everyday understanding of what the gender pay gap is all about. Unfortunately, these taken-for-granted explanations hide the underlying dynamics of the gender pay gap and place responsibility on individuals instead of gendered social structures.

The views of mainstream economics are, however, contested. Many scholars working outside the field of economics, as well as scholars conducting work in feminist economics, would argue that a central issue is the undervaluation of women’s work and how it should be resolved (Austen et al., 2013; Grimshaw & Rubery, 2007). Undervaluation is likely to occur in jobs and industries that are highly feminized (see also Reskin, 1988). This phenomenon has been conceptualized as institutionalized undervaluation (Koskinen Sandberg et al., 2017; presented in more detail in Example 1 in this article). Institutionalized undervaluation has its roots in gendered cultural valuations and the different values attached to work conducted by men and women, which typically results in the undervaluation of women’s work. This undervaluation subsequently found
its way into formal wage determination practices, such as pay systems associated with collective agreements. These formal practices and processes accordingly legitimate wage differentials and uphold gendered divisions in the labour market. As this article will demonstrate, undervaluation is not only a historical legacy, but also an ongoing process that is shaped by contemporary governments, employers, trade unions and other social actors and institutions (Grimshaw & Rubery, 2007).

Figart et al. (2002) have categorized the *implicit wage theories*, or ways of understanding what wages are, that lie behind debates on wages and regulations in the United States. They conceptualized wages as serving three different functions: (a) as a price, (b) as a living and (c) as a social practice. Wages serve these three functions simultaneously since they constitute the price of conducted work, provide a living for the worker, but are subject to societal understandings of the relative worth of that work. “Wages as a price” is the dominant view within, for example, mainstream economics. According to this view, wages reflect the productivity of jobs as well as market factors. “Wages as a living” represents the view that wages should be high enough to ensure a decent standard of living for the worker and, often, his or her family. According to “wages as a social practice”, wages are based on shared societal understandings of a worker’s appropriate place in the hierarchy of jobs. Wages shape and reflect, for example, gender, class, race and ethnicity (see also Austen et al., 2013; Grimshaw & Rubery, 2007). The understanding of appropriate wage levels for men and women is deeply rooted in societal value systems (Figart et al., 2002). Lower wages for feminized work conducted by women are directly linked to the lower societal status of women, which in turn results in the lower status of work conducted by them, regardless of the skills required or job demands (Reskin, 1988).
Koskinen Sandberg and Saari (in review) have further developed the three-dimensional model created by Figart et al. (2002) and emphasized the importance of understanding and studying *wages as political*. This refers to how wages are shaped by political processes, negotiations and constant gendered power struggles, as well as how wages reflect power relations and the vested interests of central stakeholders, such as trade unions, employer organizations and governments (see also Mann, 2007). This article further exemplifies why the central actors of wage determination practices, their vested interests and power relations are crucial topics to examine when investigating the dynamics of the gender pay gap.

**Gender Relations in the Nordic Welfare State**

While the state is often considered gender neutral, it can also be viewed as both patriarchal and capitalist in that its actions often follow the logic of capital, and it more often than not serves the interests of men over those of women (Lewis, 1992; Sainsbury, 1996; Walby, 1990; see also Borchorst & Siim, 2008). On the other hand, the state can be seen as women-friendly, as Nordic welfare states often are (e.g., Hernes, 1987). The idea of women-friendliness is partly based on social policies and services that enable women’s labour-market participation. However, this idea has also been contested (e.g., Borchorst & Siim, 2002, 2008; Mandel & Semyonov, 2005, 2006). Some scholars have also argued – and rightly so – that the perception of women-friendliness takes as its starting point the situation of white, middle-class, heterosexual mothers. Thus, a more intersectional analysis of the welfare state that takes into account the diverse circumstances of women is needed (e.g., Borchorst & Siim, 2008; Petersen, 2011). Specifically, the Finnish welfare state is undergoing many changes, such as austerity, neoliberalization and the privatization of services (e.g., Kantola & Lombardo, 2017; Pearson & Elson, 2015; Rubery, 2013), which have had dramatic impacts on the state’s assumed women-friendliness.
Gender is and always has been, however, central to the development of the welfare state. The emergence of the welfare state represented a significant change in the gendered division of labour, as it assumed many of the care responsibilities that had traditionally been undertaken by women in the domestic sphere. Interestingly, the Nordic welfare state enables the economic citizenship of women while simultaneously employing them in the highly feminized, yet underpaid, public sector (Koskinen Sandberg et al., 2017; Mandel & Semyonov, 2005). Nordic and Finnish women have both the right and the financial obligation to paid employment and economic independence, yet they occupy a secondary position in the labour market: They have had to accept the gendered hierarchies of the labour market and the lower wages characteristic of feminized occupations (Rantalaiho, 1997).

Nordic welfare states have, to some extent, substituted private patriarchy with public patriarchy (Rantalaiho, 1997; Walby, 1990). In other words, while women have become less dependent on individual men, they have become more dependent on the welfare state. Walby (1990) described two patriarchal strategies regarding women’s employment: exclusion and segregation. Exclusion prevents women’s access to specific occupations or paid employment altogether, while segregation aims to both separate and reinforce a hierarchy between work conducted by men and that undertaken by women (see also Pfau-Effinger, 1993). The highly gendered, segregated labour market in Finland is a textbook example of the segregation strategy. Women have paid employment but are segregated into occupations that are less valued and therefore lower paid.

What is important to note is that conceptualizing segregation as a patriarchal strategy is different from the mainstream understanding of segregation, which is often seen as being the result of choices made by individual women and men, as described in the economics literature (e.g., Becker, 1964; Mincer, 1958). In the Nordic case, the rise of the welfare state has played an
active role in creating a lower-paying secondary market within public services, the sector in which women are typically employed (Estevez-Abe, 2006; Hernes, 1987; Mandel & Shalev, 2009a, 2009b; Pfau-Effinger, 1993). Within this secondary labour market, wages are not primarily based on productivity or market valuations, as economists would claim, but rather on the social practices prevalent at the time the welfare state was established. In this sense, current relative wage levels reflect shared historical understandings of what constitutes a reasonable and fair wage for women’s reproductive work within the welfare state. Women’s secondary labour market has been further strengthened through labour-market policies that have institutionalized and legitimized the relative “worth” of women’s reproductive work (e.g. Koskinen Sandberg et al., 2017; Grimshaw & Rubery, 2007; Mandel & Semyonov, 2005).

The Nordic Gender Regime

In the context of gender relations in the Nordic countries, Yvonne Hirdman’s (1988) theorizing of the gender system has been very influential – but also contested (e.g., Peterson, 2011; Rantalaiho, Heiskanen, Korvajärvi, & Vehviläinen, 1997). The guiding principles of the Nordic gender system, or gender regime as some have called it (e.g., Lombardo, 2017; Walby 2004), are the logic of separation based on gender (dichotomy) and the higher valuation of the male norm (hierarchy) (Hirdman, 1988). In the context of labour markets and gendered disparities in pay, examples of these concepts are clearly visible: The segregation of work and specific tasks into men’s work and women’s work, and the greater valuation of work performed by men. The basic logic of Nordic gender regimes is male domination or, in other words, patriarchy (e.g., Hirdman, 1988; Reskin, 1988; Walby, 1986, 1990). Formally, women and men are equals and have the same rights and responsibilities. This formal gender equality, however, is situated within a highly gender-segregated society (Rantalaiho, 1997). Ridgeway and Correll (2004) have outlined how
gender relations and dominant gender beliefs attribute higher status and competence to men and to work conducted by men. These dominant beliefs are widely shared by members of a given society and influence both how individuals behave and how they are perceived. As an example, both men and women tend to view somewhat lower wages for women as fair when comparing otherwise similar employees (Ausb erg, Hinz & Sauer, 2017).

The Finnish Labour Market

Many Finns believe that Finland is a country in which gender equality is already a reality (e.g., Julkunen, 2009; Ylöstalo, 2012). Indeed, in international comparisons, Finland, along with the other Nordic countries, performs rather well (e.g., World Economic Forum, 2016). However, when Finnish society and the Finnish labour market are examined more closely, the picture becomes more complex. It becomes evident that gender equality in Finland, although good by international comparison, has not yet been achieved. In Finland, the average salary for women is 83 percent of that of men (Official Statistics of Finland, 2016). The key characteristics of the Finnish labour market are its unusually strong horizontal segregation combined with the lesser valuation of female-dominated jobs and occupations (e.g., Ministry of Social Affairs and Health, 2008; see also Estevez-Abe, 2005, 2006).

Finnish men and women work in different jobs and industries: Men often work in private-sector industries such as manufacturing and construction, while women typically work in public-sector industries such as healthcare, social services and education. To put it simply, women tend to work for the Finnish welfare state or the private service sector. Even though the gendered structure of the labour market and other Finnish organizations is obvious, Finns typically do not identify this as a problem. The rationale for this perspective is that women choose to work in
low-paying feminized jobs, not that such jobs are low paying \textit{because} they are mainly occupied by women (e.g., Ylöstalo, 2012). This perspective is in line with the mainstream economic argument that the gender pay gap results from different choices made by individual men and women.

Labour economic theories, such as human capital theory, do not explain the puzzling persistence of gender segregation in Finland and neighbouring Scandinavian countries. Estevez-Abe (2005) argued that persistent gender segregation in the labour market can be linked to institutional features, such as strong employment protection and women-friendly social policies. Although such features support women’s employment in general, they also contribute to the dual structure of a primarily male-dominated labour market in the private sector and a secondary female-dominated labour market in the public sector.

\textit{Finnish Equal Pay Policy}

In order to reduce the gender pay gap and improve the situation of women in the labour market, the Finnish government and central labour-market organizations launched the Equal Pay Programme in 2006. Through various methods and approaches, the programme aimed to reduce the gender pay gap to 15 percent by 2015. The programme received a continuation from 2016 onwards (Ministry of Social Affairs and Health, 2007, 2016). The key areas and aims of the Equal Pay Programme include collective bargaining, decreasing gender segregation, gender-equality planning and pay surveys, evaluation-based pay systems, and promoting women’s careers. The undervaluation of women’s work in the Finnish public sector was not directly addressed by the Equal Pay Programme, perhaps due to the contested nature of the question and the tripartite structure of the programme, in which all seven central labour-market organizations
are involved (Julkunen, 2009). Typical of Finnish policy, the Equal Pay Programme is tripartite: The strategy incorporates trade-union confederations and employer organizations, in addition to the government, in the decision-making process on measures taken to promote gender pay equity, in the belief that they will be more likely to implement them if they have been involved in their development.

The Finnish Industrial Relations System

Most Finnish employees are covered by collective agreements. In Finland, the coverage provided by sector-wide collective agreements is extensive and the agreements are generally binding – that is, non-organized employers are also obliged to implement collective agreements. Collective agreements are central to wage determination in many Finnish organizations. Often, they entail a pay system intended for implementation across the entire industry. According to earlier comparative scholarship (e.g., Colling & Dickens, 1998; Mandel & Semyonov, 2005; Rubery et al., 1997), centralized and regulated industrial relations systems are often associated with smaller average gender pay gaps. There are, however, features that undermine such positive outcomes. Because of the high level of gender segregation, men and women are often not covered by the same collective agreement. Their conditions of employment, including wages, are negotiated separately. The wage relativities, or differences in wages paid, between different industries tend to be institutionalized and not easily changed. The evaluation of the Equal Pay Programme (Lonka, 2015) states that to some extent the gender impacts of collective agreements have been evaluated by trade unions and employer organizations. Typically, however, this has been achieved only within a single collective agreement, and thus the overall significance of the complex Finnish collective bargaining system for gender pay equity has not been evaluated.
Previous research indicates that collective agreements can in fact contribute to the gender pay gap in the Finnish labour market (Koskinen Sandberg et al., 2017).

The Finnish industrial relations system used to entail so-called “income policy agreements” that included centralized, economy-wide bargaining for wage increases in addition to social policy and taxation. Income policy agreements were in effect for 40 years (1968–2008). Centralized negotiations entailed the possibility of negotiating for gender pay equity. To some extent, this was accomplished in Finland, and small pay increases were allocated to female-dominated occupations in some income policy agreements. However, no radical changes in pay ratios were ever achieved (Julkunen, 2009; Martikainen, 2000). This is because labour unions in Finland have a conservative, hierarchical structure based on education; moreover, different unions have their own vested interests (Julkunen, 2009).

In 2015, the Confederation of Finnish Industries announced that they would not negotiate any further income policy agreements (The Confederation of Finnish Industries, 2015). This announcement marked a shift towards local bargaining in the Finnish labour market, which implies increased flexibility in negotiating at the level of the individual workplace. This can be interpreted as a shift in power relations, with employer federations gaining power over employees. Altogether, there are seven central labour-market organizations: three for employers and four for employees. The unions representing female-dominated, undervalued public-sector occupations are members of different central organizations. Registered nurses’ unions are members of the Finnish Confederation of Salaried Employees (STTK), while kindergarten teachers’ unions are members of the Confederation of Unions for Professional and Managerial Staff in Finland (AKAVA). The Central Organization of Finnish Trade Union’s (SAK) largest female-dominated union represents the private service sector.
The example presented below illustrates the way in which the Finnish industrial relations system impacts upon one of the central sectors of the labour market, namely the local government sector. The example elaborates upon how the undervaluation of women’s reproductive work is institutionalized within the collective agreements of the local government sector.

**Example 1. Institutionalized Undervaluation in Local Government Sector Collective Agreements**

In a previous work, I and co-authors have contributed to addressing the question of the value of women’s work and how it is socially constructed by introducing the concept of *institutionalized undervaluation* (Koskinen Sandberg et al., 2017), which can be understood as how the undervaluation of women’s work is embedded in the formal structures of wage determination, such as collective agreements. Institutionalized undervaluation originated within gendered understandings of appropriate wages for work conducted by men and women (e.g., Figart et al., 2002; Mann, 2007). However, it has now become part of the formal structure, the gendered nature of which often remains invisible and thus unrecognized.

An example of institutionalized undervaluation is the Finnish local government sector and its collective agreements (see Table 1 for details). In a nation of only five million people, this sector is a significant employer, with 435,000 employees, 80 percent of whom are women. Much of the feminized, low-paid reproductive work of the Finnish public sector, including healthcare, social work and childcare, is conducted within the local government sector. The sector uses five major collective agreements for different employee groups, resulting in different wage levels for men and women working for the same employer. Of these collective agreements, the General Collective Agreement is heavily female-dominated (89% women), while the Technical
Collective Agreement is male-dominated (21% women). The Physicians’ Collective Agreement is also female-dominated (64%), as is the Education Collective Agreement (71%).

Table 1. Local government sector collective agreements

<table>
<thead>
<tr>
<th>Collective Agreement</th>
<th>Employees</th>
<th>Average monthly pay under collective agreement, 2015</th>
<th>Examples of typical jobs</th>
<th>% women</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>315 000</td>
<td>2743 €</td>
<td>Kindergarten teacher</td>
<td>89</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Practical nurse</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Registered nurse</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>65 000</td>
<td>3798 €</td>
<td>Elementary school teacher</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Vocational teacher</td>
<td></td>
</tr>
<tr>
<td>Technical Sector</td>
<td>25 000</td>
<td>3221 €</td>
<td>Engineer</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Electrician</td>
<td></td>
</tr>
<tr>
<td>Physicians</td>
<td>16 000</td>
<td>7380€</td>
<td>Physician</td>
<td>64</td>
</tr>
<tr>
<td>Hourly paid employees</td>
<td>10 000</td>
<td>-</td>
<td>-</td>
<td>14</td>
</tr>
</tbody>
</table>

(Source: Local Government Employers)

In the aforementioned earlier study (Koskinen Sandberg et al., 2017), wage determination in the female-dominated General Collective Agreement and male-dominated Technical Collective Agreement were compared within two organizations, using both qualitative and quantitative methods (see Table 2). The qualitative analysis clearly showed that wages are not determined via analytical job evaluation but instead by a variety of haphazard and bureaucratic practices that have developed over decades of negotiations on wages and working conditions within the sector. These practices constitute a formidable structure that maintains the relativities between female-dominated and male-dominated jobs within the sector. Wages in the local government sector are
typically determined by using the ranking method, in which an overall impression of the demands of the job is taken into account. In addition, this is conducted only within pricing groups, a category appearing in local government collective agreements, which basically means the same or very similar jobs. For example, the pricing group for kindergarten teachers has a code (05PKO02B) and a set basic salary of 2,304.88 € a month. Comparisons of job demands between different jobs and different collective agreements are entirely overlooked. To demonstrate the magnitude of this problem: There are 287 pricing groups in 19 pricing annexes within the five major collective agreements. Indeed, wages for different jobs are kept strictly separate.

The quantitative results further confirmed that being covered by the General Collective Agreement impacted negatively upon wages, when controlling for age, education and work experience. This was especially true for employees working in childcare, a traditionally feminized sector. According to Finnish gender-equality law, employers are obliged to treat their employees equally, regardless of collective agreements. In practice, the complex and bureaucratic system effectively disguises the underlying gendered practices of wage determination.
In contrast to the widely accepted mainstream economic view that the gender pay gap is explained by gender segregation, the undervaluation of feminized work in the local government sector has been acknowledged to some extent. The 2007–2011 government programme promised state support for pay increases for female-dominated jobs in the local government sector, in which pay was not in line with job demands. In 2007, industrial action was also taken (the threat of mass resignation) by the Union of Health and Social Care Professionals (TEHY) in Finland with the goal of obtaining equal pay for registered nurses. The union used this threat as a negotiating tactic with local government employers. Like most female-dominated occupations in
the local government sector, registered nursing is also covered by the relatively low-paying General Collective Agreement. The industrial action resulted in some, albeit not very significant, wage increases for registered nurses (Koskinen Sandberg, & Saari, in review). This case exemplifies how attempts to increase women’s wages are met with strong opposition, not only from employers but also from other trade unions. In practice, the issue of institutionalized undervaluation in the local government sector remains unresolved.

**Corporatist Politics and Non-Decision-Making in Labour-Market Policy**

Social partners play a central role in the Finnish labour market and in policy-making. Finland has a long tradition of drafting working-life policy and legislation in a tripartite framework between the government, employer organizations and employee organizations. These social partners have been, and still are, present in virtually all policy processes regarding the labour market. In particular, the partners played a significant role in drafting the new gender-equality legislation enacted in 2015 (Act on Equality between Women and Men, 1986/609, 232/2005, 1329/2014; see also Saari, 2015), the details of which were severely compromised in the tripartite policy process (Koskinen Sandberg, 2016a). These details, and the implications of tripartite decision-making, are discussed below.

**Tripartite Decision-Making**

The Finnish industrial-relations system can be described as a corporatist regime characterized by extensive collective bargaining, rather generous social policies, and developed family policies (e.g., Kauppinen, 2005; Mandel & Semyonov, 2005). Decisions on working life and social policy are negotiated in tripartite policy processes between the state, employee organizations and employer organizations. Salmi and Lammi-Taskula (2014) examined the tripartite policy process
in relation to Finnish parental-leave policy. They argued that the conflicting interests of the central employer and employee organizations have significantly challenged the development of policy. Decisions made in this respect have reflected the vested interests of the different stakeholders (Salmi & Lammi-Taskula, 2014).

Like other regimes, one feature of a corporatist regime is that it aims to preserve its power and uphold the status quo. So far, the Finnish corporatist regime has been surprisingly resistant to the changes in Finnish society brought about by, for example, globalization and neoliberalism. Historical developments, political power relations and the strength of the corporatist regime define the extent to which the employee and employer organizations have a role in shaping policy and legislation (Kauppinen, 2005). A peculiar feature of the Finnish context is that Finland is a small country with a limited number of people working around issues such as equal pay in these organizations. This means that the same people representing different interests meet and negotiate in several discrete contexts: the steering group for the tripartite Equal Pay Programme; the steering groups for research projects in this area; and tripartite working groups on policy and legislative initiatives.

Consensus-seeking is characteristic of Finnish policy-making (e.g., Saari, 2015; Salmi & Lammi-Taskula, 2014), and thus topics that are viewed as difficult and/or controversial are often met with silence. As a concept, silence refers to how knowledge about a certain topic is constructed either by remaining tacit or by overlooking central aspects related to the phenomenon (e.g., Tuori, 2014; Ward & Winstanley, 2003). Remaining tacit about and/or overlooking central aspects of the topic of gender pay equity creates an unusual situation in which most actors know what the main issues are – for example, narrowing the gender pay gap (Koskinen Sandberg, 2016b) – but only rarely directly address them (by, for instance, using
centralized collective bargaining to allocate pay increases to undervalued feminized industries) since they conflict with their vested interests.

Instead of directly addressing the main issues and challenges, the current equal-pay policy concentrates on less controversial issues, such as developing pay systems within organizations and conducting gender-equality planning. These policy measures do not touch upon the gendered structure of the Finnish labour market as a whole. The key issues about the gender pay gap are not discussed due to the tradition of tripartite cooperation and the fear that breaching consensus might result in damage to important working relationships with trade unions and employer organizations (Koskinen Sandberg, 2016b). Officially, all seven central labour-market organizations are committed to advancing the objectives of the tripartite Equal Pay Programme, including narrowing the gender pay gap. In practice, however, the issue becomes more complex.


The concept of non-decision-making (Bachrach & Baratz, 1962, 1963) is useful for analysing situations in which there are significant but latent power conflicts, and where actors limit decision-making to relatively non-controversial issues. This is accomplished by influencing community values as well as political procedures and rituals (Bachrach & Baratz, 1962, 1963; see also Bergqvist, Bjarnegård, & Zetterberg, 2015 for non-decision-making in Swedish parental-leave policy).

Building on earlier gender-equality legislation, the Finnish gender-equality law has recently been reformed (see Table 3). The reforms included more precise advice on how to conduct pay surveys, which are a mandatory part of gender-equality planning. The previous version of the law included an obligation to ensure equal pay for the same work and for work of equal value,
but did not include advice on how to conduct wage comparisons. The renewal process began in 2012, and the reformed law was enacted in 2015. Currently, Finnish organizations are obliged to reform their gender-equality plans and pay surveys to meet the requirements of the reformed law. The law was negotiated in a tripartite working group consisting of representation from the Finnish governmental gender-equality agency and the seven central labour-market organizations, including both employer and employee organizations. In previous research, I analysed the process by which the law, especially regarding pay surveys, was renewed, using original documentation from the working group’s meetings (Koskinen Sandberg, 2016a). The work of the tripartite working group was challenging due to conflicting interests; accordingly, there was a high risk that the group would not be able to deliver the desired end result: the terminology about pay surveys to be included in Finnish gender-equality law.

When looking at the reformed law about pay surveys, it is clear that many of the central features initially included on the working group’s agenda did not survive the tripartite policy process. This case also highlights the consequences of the tripartite policy process for policy initiatives. The participants all had vested interests that they were aiming to protect when participating in the policy process. The policy process also had implications for the effectiveness of the resulting policies, which were ultimately compromises. According to the analysis, four main topics of negotiation and conflict are identifiable: (a) shop stewards’ access to wage data, (b) comparing wages between collective agreements, (c) equal value comparisons, and (d) comparing by pay component. These central issues remained on the agenda throughout the policy process, and the methods of non-decision-making – limiting the scope of decision-making to non-threatening issues – were targeted towards these issues until compromises were eventually reached and the issues were successfully suppressed (Koskinen Sandberg, 2016a). These main topics of
negotiation and conflict were the ones most likely to uncover the undervaluation of work conducted by women. This becomes evident when taking the local government sector as an example. Comparing wages across collective agreements within organizations would make the undervaluation of women’s work in the local government sector visible. Thus, the employer organizations, including local government employers, were able to prevent these comparisons from becoming part of gender-equality legislation.

Table 3. Renewal of the Finnish gender-equality legislation in a tripartite setting

<table>
<thead>
<tr>
<th>The tripartite policy process behind the renewal of the Finnish gender-equality legislation</th>
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<tr>
<td>1) Finland has a long tradition of involving employer and employee organizations in policy-making.</td>
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<tr>
<td>2) Most policy initiatives around working life and gender equality in working life have been drafted in the tripartite setting, in collaboration between the state, employer organizations and employee organizations.</td>
</tr>
<tr>
<td>3) When the policy initiative targets an issue that is directly linked to the labour-market organizations’ vested interests, such as wages, conflicting interests are inevitable.</td>
</tr>
<tr>
<td>4) The resulting policies can be characterized as compromises that reflect the vested interests of the different stakeholders.</td>
</tr>
<tr>
<td>5) Drafting policy and legislation in the tripartite setting often results in less-than-ideal policies with limited outcomes.</td>
</tr>
<tr>
<td>6) An example of this is the renewal of the Finnish gender-equality legislation and the law on pay comparisons. How the comparison is to be done (within pre-existing job grades) is not very likely to identify gender-based pay disparities.</td>
</tr>
</tbody>
</table>

Pay surveys are a policy mechanism targeted at preventing pay discrimination and making, at least to some extent, the undervaluation of women’s work (Austen et al., 2013; Grimshaw & Rubery, 2007) visible at the organizational level. The efficiency of such policy mechanisms is compromised by a variety of factors. Indeed, evaluation-based pay systems that are used as a tool
for pay comparisons are not always based on the assessment of job demands and performance but can reflect a variety of issues, such as market forces and shared cultural understandings of appropriate wage levels for certain jobs or employee groups (Koskinen Sandberg, 2017).

In many cases, such as the local government case described above, the pay systems used in a sector make the comparison of wages between different jobs virtually impossible. Comparing wages within existing pay grades and other categories, as advised in the current law, does not result in identifying gender-based differences in pay. Quite the contrary, as these systems provide unwarranted legitimacy for wages paid (Koskinen Sandberg, 2017). The institutional actors’ vested interests are reflected both within the existing pay systems they have often negotiated as part of collective agreements and the policy mechanism itself, also negotiated by these actors. The employer organizations in particular make sure that the policy developed does not threaten the status quo nor their vested interests – that is, the existing structure of wage formation in the Finnish labour market. The tripartite policy process, and the problems it entails, are very rarely openly discussed in Finnish society.

Discussion

Currently, the dominant way of thinking in contemporary Western societies, such as Finland, emphasizes individualistic values and meritocracy (e.g., Budgeon, 2015; Kirkpatrick, 2010; Lewis, 2014). In this line of thinking, everyone has the opportunity to realize his or her potential. Failure to succeed is therefore viewed as the fault of the individual. The role of social structures and power relations is often downplayed in policy discussions and public debates, as well as in academic literature on equal pay, which is dominated by mainstream economics. Social structures, institutions and actors are, however, central to phenomena such as the gender pay gap.
This article has proposed viewing gender pay inequity through a sociological lens, which implies acknowledging the complex societal dynamics and roles of central institutions and actors in influencing the gender pay gap.

This article has analysed how the structure of the Finnish labour market, as well as the persistent gender pay gap, is linked to the specific context of the Finnish welfare state, the form it has taken, and the kind of citizenship it has offered to its female citizens – specifically, the right to paid work, albeit within the secondary labour market in highly feminized occupations in the public sector. In Finland, the national industrial-relations system also impacts upon gender pay equity through collective bargaining and tripartite policy-making. The argument has been made that, in addition to being “women-friendly” (e.g., Hernes, 1987) and providing Finnish women (and men) with parental leave, childcare, schools and social security, the Finnish welfare state has actively contributed to the formation of a low-paid secondary labour market in which Finnish women typically find employment (Estevez-Abe, 2006; Mandel & Shalev, 2009a, 2009b; Pfau-Effinger, 1993). Furthermore, the corporatist regime plays a significant role in upholding the current gendered structure of the labour market, both in collective bargaining and policy and legislative initiatives.

Collective bargaining and trade unions are typically viewed as positive for women’s employment and gender pay equity. The issue is more complex, however, with both positive and negative impacts on gender equality in the Finnish labour market. The institutions – that is, the trade unions and employer organizations – have played an active role in institutionalizing the wage relativities between different jobs and industries, as presented in Example 1, which discusses the institutionalized undervaluation of women’s work. These organizations negotiate wages for Finnish organizations and have the power to change the wage relativities, at least to a certain
extent. The same actors are present in Finnish policy-making and can resist developing policies that would conflict with their vested interests, such as negotiating collective agreements, as described in Example 2. This article demonstrates why central actors, their vested interests and power relations are crucial topics to consider when investigating the dynamics of the gender pay gap. Wages are political: They reflect power relations and the vested interests of central stakeholders, such as trade unions, employer organizations and governments.

This article has also demonstrated that understanding institutional and political contexts is crucial for studying wages and the persistent gender pay gap. As a multifaceted phenomenon, the gender pay gap is not solely or even mainly reducible to statistical models that display differences in the attributes of individual women and men. In addition, it cannot be explained by gender segregation of the labour market. Wages have been and currently are shaped by historical developments, culturally gendered valuations, institutional contexts, ideological underpinnings, political processes and gendered power relations. Thus, narrowing the gender pay gap would entail rethinking wage relativities and wage levels for different jobs and occupations. While this might sound unrealistic, it should not be considered so. The public sector should be exemplary and take the initiative in paying women fair and equal wages.

Institutions are typically resistant to change. However, sometimes change can take place, and rather quickly. At the moment, the Finnish labour market is awaiting the Health, Social Services and Regional Government (SOTE) Reform. What the impact will be on the gender pay gap, however, remains to be seen. Yet, what is evident is that the reform does have implications for Finnish women’s employment, for labour-market organizations, for the corporatist system, and for the welfare state itself. With the privatization of parts of the social services and healthcare sectors, the strong link between women’s work and welfare-state employment will become
weaker. Privatization will also have an impact on the power relations between the central actors. It remains to be seen, however, whether this will lead to changes in women’s labour-market situation; and if so, in what direction.

Another recent example of institutional change and active institutional agency (e.g., Di Maggio, 1988) is the Competitiveness Pact, in which the Finnish government, headed by Prime Minister Sipilä, took an active role in facilitating negotiations aimed at improving the competitiveness of the Finnish economy by, for example, lowering labour costs. The Competitiveness Pact also targeted the public sector, and there is already evidence of its negative impact on the gender pay gap (Statistics Finland, 2017). This raises concerns about the effects of the neoliberal political agenda and increasing demands for competitiveness on welfare-state employment and gender pay equity.

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Author biography

Paula Koskinen Sandberg is a Postdoctoral Researcher at the University of Tampere, Finland. She has published on topics such as gender inequality in pay systems, the institutionalized undervaluation of women’s work and the social partners’ role in drafting Finnish gender-equality legislation. Her current research interests include gender pay equity, equal pay policy, gender in wage determination and corporatist politics.
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