

## Summary, reflection on policy recommendations, further studies

On the basis of the literature review of this study, I can state that gender pay gaps are noticeable, and most studies are unable to completely justify them with statistical methods. Previous studies show that there are many background factors behind gender pay gaps. Addressing these factors requires several different measures that are separate from each other.

Research literature strongly suggests that gender pay gaps are particularly affected by the detected difference in men and women's choices. This has led to a significant segregation in the Finnish labour market. The differences in men and women's choices range from education choices as an employer to sector and selected profession. Eliminating segregation would most likely level out the differences in the raw wages of men and women. However, making an impact on choices is a politically difficult matter. When reviewing the choices, it is also important to be aware of the fact that the men and women's career choices may be guided by society's attitudes and values. In that case, we should also aim for desegregation by shaping the values of society.

One way of eliminating segregation would be to conduct research on the significance of peer effects in the labour market and to start eliminating segregation based on the results achieved. For example, peer effects during studies have been identified as a factor impacting later labour market choices in several countries. If peer effects were investigated more carefully in Finland, one could be able to implement education policy decisions relatively easily. Those decisions would have long-term effects on gender pay gaps. One example of education policy decisions would be changing the gender division of classes in comprehensive schools, upper secondary schools, and higher education institutions in such a way that segregation in the labour market would decrease.

One can also make more of an impact on education choices by adopting facilitated pathways for men and women in sectors where the gender division in the labour market is biased towards the other gender. However, a negative side effect of such a policy change could be diminished efficiency, if study places are not granted to those who would have been best suited for the sector on the basis of, say, the entrance exam or previous studies. One can also aim for desegregation by starting various kinds of projects, the purpose of which would be to support men and women in choosing professions where most employees represent the opposite gender.

Recent economics studies have detected indications that asymmetric information on pay gaps, prevailing in the labour market, is maintaining gender pay gaps. In practice, asymmetric information means that an employee does not know exactly what they should be paid for their work, because they lack information on what their co-workers earn. Several studies have been able to demonstrate that increased pay transparency would be a well-functioning political method for levelling out gender pay gaps. Increased pay transparency would be relatively simple to put into practice technically, and one can find well-functioning practical examples of it from several countries.

Having children has also been identified as having a significant negative impact on women's income. A similar phenomenon has not been detected for men. Thus, having children increases gender pay gaps significantly. Statistical information gathered in Finland clearly indicates that women have the main responsibility for taking care of children. It is very natural to think that the long pause from working life caused by having a child even decreases the long-term development of earned income. Several studies show that the breaks in careers caused by having children are increasing income gaps between men and women. The increase in income gaps caused by having children could be diminished by improving the chances of combining work and family by providing families with better opportunities for day care and shift

day care. In addition, one should also critically inspect reforms related to home care allowance. These reforms would particularly increase the employment of mothers with small children.

Women and men often work in different jobs that are equally demanding in terms of, say, the level of education required. In terms of pay however, the positions may differ from each other significantly. Usually, the difference is that female-dominated jobs pay less on average than male-dominated jobs. One valid option for reducing pay gaps would be to examine differences in the difficulty levels of male and female-dominated tasks, compare the terms and conditions of employment with each other, and go through possible pay scales to make them better correspond to the difficulty level of the job. Reviewing collective agreements would require significant cooperation between labour market organisations, especially in collective agreement negotiations. Several studies have reviewed gender pay gaps and stated that the gaps partially have to do with institutional constraints that have cemented pay gaps between professions.

Previous studies have detected that women in the labour market face a phenomenon called the glass ceiling. On the basis of research literature, I found two slightly different definitions on what a glass ceiling is. On one hand, glass ceilings were stated to mean the hinder that women face when it comes to becoming employed or getting promoted to positions at the higher end of the pay scale. On the other hand, some empirical studies define the glass ceiling phenomena as situations where gender pay gaps increase at the higher end of the income scale. On the basis of research literature, there is scientific evidence for both definitions. Some studies have detected that women's likelihood of being hired for some positions at the higher end of the pay scale is significantly lower than men's likelihood. In addition, numerous studies where pay gaps have been reviewed statistically have shown that pay gaps increase significantly at the high end of the income scale.

To eliminate glass ceilings, the recruitment practices of organisations could be altered towards more anonymous recruitment, where the applicant's gender would be revealed at the latest possible stage. In this way, it would be less likely that a female applicant is discriminated against. Reforms related to, say, combining family and work, and possibly also more rigid criteria as the basis of promotions in the workplace would likely diminish income differences at the high end of the income scale.

In addition to the literature review, I conducted a statistical analysis on gender pay gaps for this report. I used individual-level statistical material and three different statistical methods. The empirical analysis gave similar results as to those presented in several previous studies.

In Finland, gender pay gaps decrease significantly when a large number of background variables is taken into account. The overwhelmingly most relevant background variable explaining the gap turned out to be segregation in the labour market. Desegregation could decrease gender pay gaps substantially. In addition, I reviewed pay gaps in different parts of the income scale in my statistical analysis. The analysis showed hints of a strong glass ceiling phenomenon where pay gaps between genders increase in the upper end of the income scale. The statistical review demonstrated that the gender-related pay gap is up to seven times as large in the uppermost income decile compared to the lowest income decile.

Even with a large number of controlled background variables, it is only possible to explain an average of **40–46 per cent** of pay gaps, which indicates that also a significant amount of political action needs to be taken in order to eliminate gender pay gaps.

JHL will continue to investigate gender pay gaps in the future. This study is the basis of subject areas that will be dealt with in later studies. Later studies will likely investigate how having children affects women's position in the labour market, how the gender division of one's peer group of students will impact the person's future entrance into the labour market, and the effects of increased pay transparency.