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Iceland's Pay Equity Law: The Start of a New Approach?

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Iceland has been touting gender pay equity legislation as a short-term goal since early last year. So it is no surprise that the country's new law — which mandates pay equity for males and females — went into effect a few weeks ago. By enacting specific legislation, Iceland is taking a proactive approach to address actual disparities in compensation between males and females by requiring employers to certify that they are paying both genders at the same level. Otherwise, those employers will be subject to stiff financial penalties.

Unlike Iceland, the United States currently reflects a reactive approach to this topic in the form of anti-discrimination laws. Employees may pursue litigation against employers for gender-related discrimination based upon disparities in salary, bonus eligibility and advancement opportunities. Since the Trump administration has advocated for less regulation across-the-board, it is unlikely that any similar gender pay equity laws will be passed in the United States — at least on the federal level — in the near future.

At the same time, private employers are increasingly using external compensation consultants, compensation survey data and internal H.R. audits to ensure that they are compensating employees on a fair and equitable basis without regard for the individual employee's gender. These efforts will likely close the U.S. pay gap, but certainly not as quickly as wide-sweeping legislation like Iceland's new gender pay equity law.

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