



# Get ready for Pay Transparency





**The European Union’s Pay Transparency Directive introduces new obligations on employers across Europe. The Directive aims to encourage employers to pay employees equally through granting employees the right to compare their pay and expose and address any unjustified gaps. These new laws will move the equal pay agenda faster and more proactively than ever before through targeted, action-orientated, measurable obligations placed on employers.**

The extent of these new obligations is far-reaching. Member states will be required to implement the transparency provisions of the Directive by 7 June 2026, with the reporting obligations applying from June 2027. While not directly applicable to employers in the UK, US, and Canada, the Directive will impact non-European employers with workers based in Europe.

This guide helps explain the employer obligations imposed by the EU Pay Transparency Directive, explores the likely impact over the coming years, and summarises the existing pay gap obligations across individual jurisdictions globally.

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# Who do the new rules apply to?

**From June 2026, all public and private employers in Europe must have pay structures and offer pay transparency before and during employment.**

The reporting obligations apply to employers with 100 or more employees in any one EU jurisdiction. This is a low threshold and is likely to mean that many employers will have to comply with the rules as implemented by several member states.

It will also mean that many UK (and other non-European) employers with operations in the EU must comply with the rules in the EU jurisdiction where they operate. UK operations may also come under pressure to report on the same basis as their EU counterparts.





# What are the obligations under the EU Pay Transparency Directive?



**The EU Pay Transparency Directive was published in the EU's Official Journal on 17 May 2023 and came into effect on 7 June 2023. Member states have three years (until 7 June 2026) to transpose it into national law.**

**1. Pay structures:** Employers must have pay structures in place which enable pay comparisons between employees who do equal work or work of equal value.

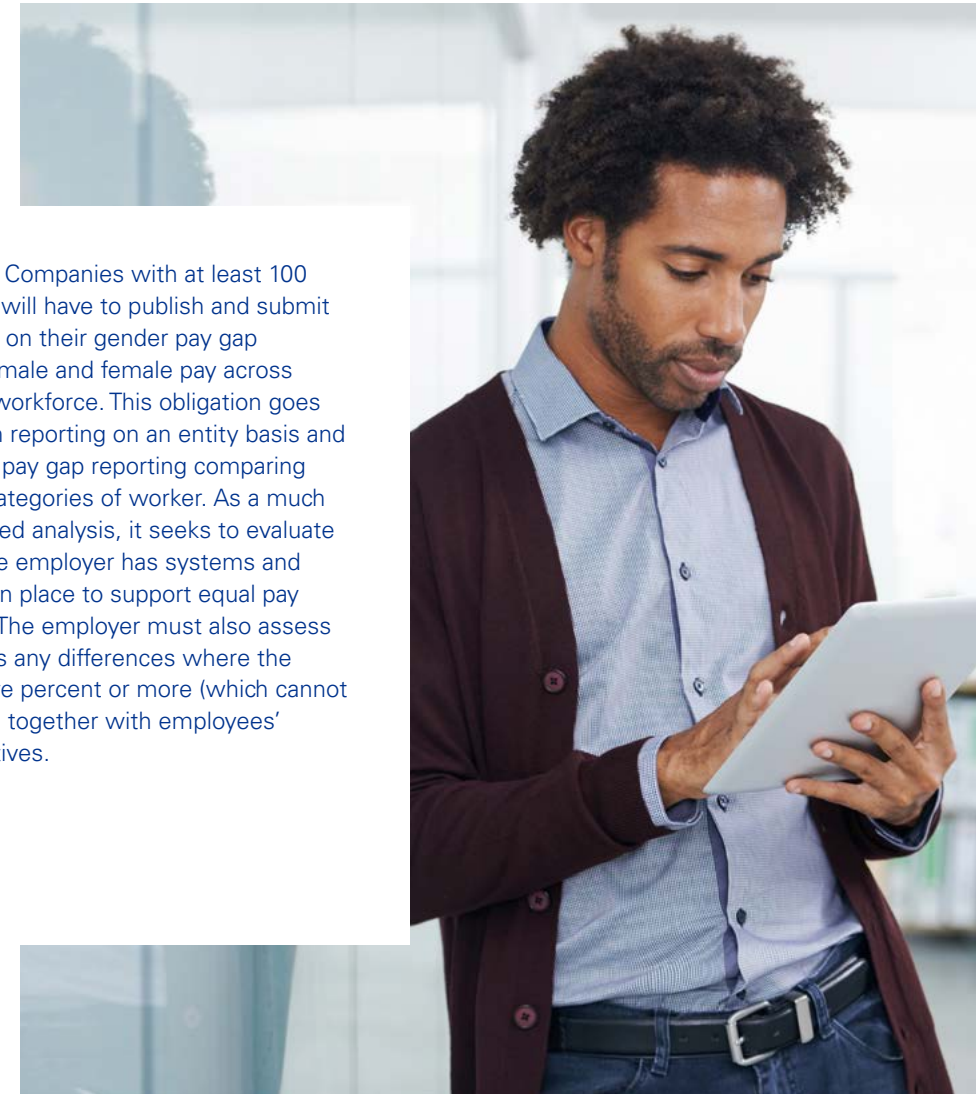
**2. Pay transparency:**

- At recruitment, companies will be banned from asking candidates about their pay history and must provide information on the initial pay level or range for the vacancy.
- During employment:
  - employees can request information from their employers, employee representatives, or an equality body

on their individual pay level and on the average pay levels broken down by sex for categories of employees doing the same work or work of equal value. This right applies irrespective of the size of the company and must be provided within two months. Companies will have to annually inform employees about this right to information.

- Employers cannot include any contractual terms that restrict workers from disclosing information about their pay.
- As careers progress, employers must provide information on the objective and gender-neutral criteria used to define pay and career progression. Employers with fewer than 50 workers can be exempted from this obligation.

**3. Reporting:** Companies with at least 100 employees will have to publish and submit information on their gender pay gap comparing male and female pay across the whole workforce. This obligation goes further than reporting on an entity basis and will require pay gap reporting comparing individual categories of worker. As a much more detailed analysis, it seeks to evaluate whether the employer has systems and processes in place to support equal pay outcomes. The employer must also assess and address any differences where the gaps are five percent or more (which cannot be justified) together with employees' representatives.



# When must employers be ready to comply with the new pay structure and transparency obligations?



EU member states have until **7 June 2026** to implement the Directive into their own domestic laws. In practice, that means employers must have pay structures in place and be ready to communicate pay transparency from that date.

## When must employers be ready to report pay gaps?



First publishing date  
**7 June 2027** in every year



First publishing date  
**7 June 2027** in every three years



First publishing date  
**7 June 2027** in every three years

# What happens if employers don't comply?

## **The Directive contains enforcement measures which require Member States to ensure that:**

1. Workers can access court proceedings to enforce the rights and obligations relating to equal pay, both during and after termination of employment.
2. Associations, organisations, equality bodies, and workers' representatives may engage in and act on behalf of workers in administrative procedures or court proceedings regarding alleged infringements concerning equal pay.
3. Workers can claim compensation for damages linked to infringements of equal pay principles.

4. Orders can be issued to employers to stop infringements of equal pay principles or to take measures to ensure the rights and obligations related to equal pay are applied.

Unusually, the burden of proof is on employers to demonstrate that there was no discrimination in relation to pay. In practice, that means that if an employee brings an equal pay claim against an employer that has failed to comply with one (or more) of the requirements of the Directive, the employer will have to prove that there was no direct or indirect discrimination.

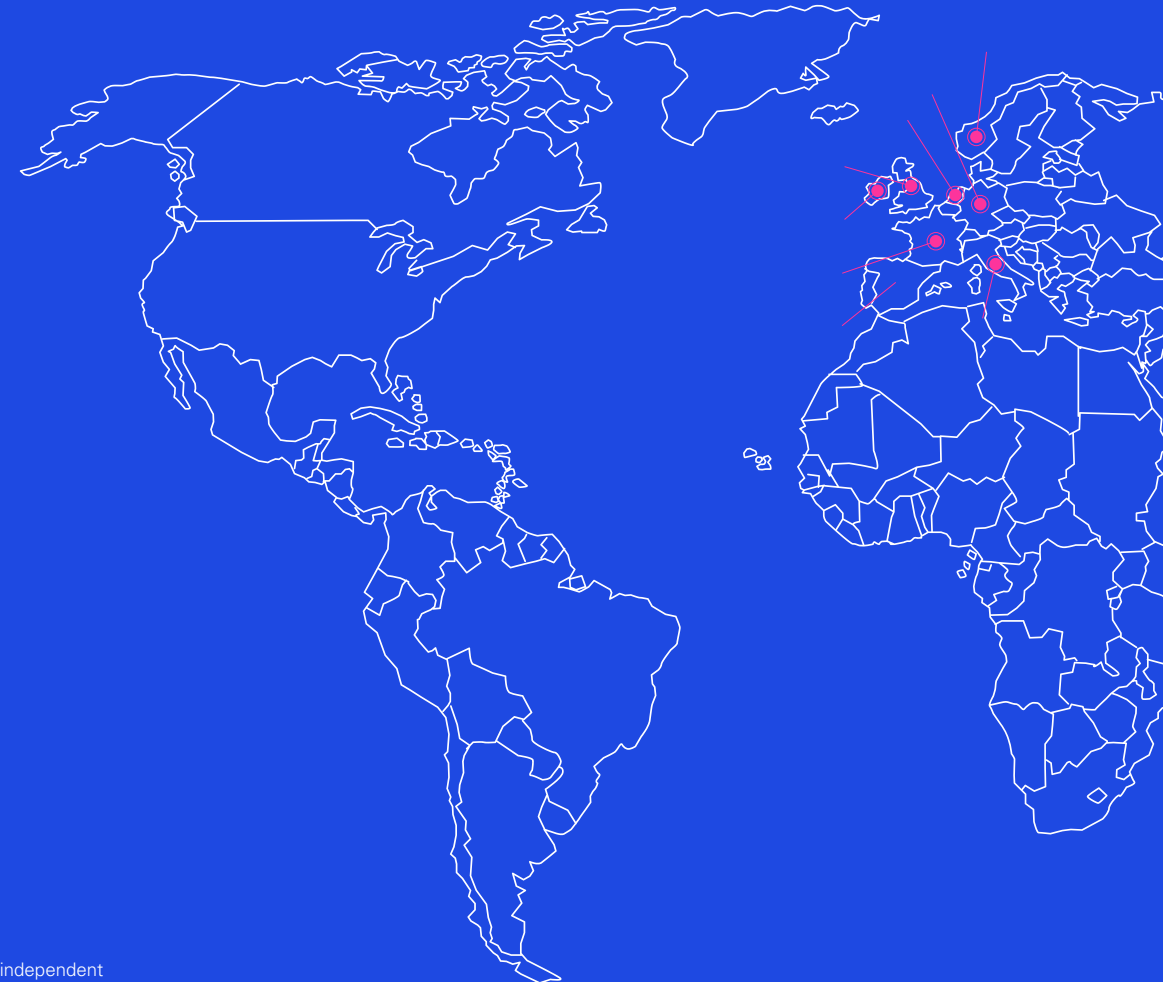


# How the Pay Transparency Directive compares with other countries

**The Directive goes beyond the mandatory gender pay gap reporting requirements in most countries across the EU and UK in terms of scope (including smaller employers) and content, introducing narrower reporting on the basis of “categories of worker,” mandatory pay structures, and the ongoing pay disclosure obligations.**

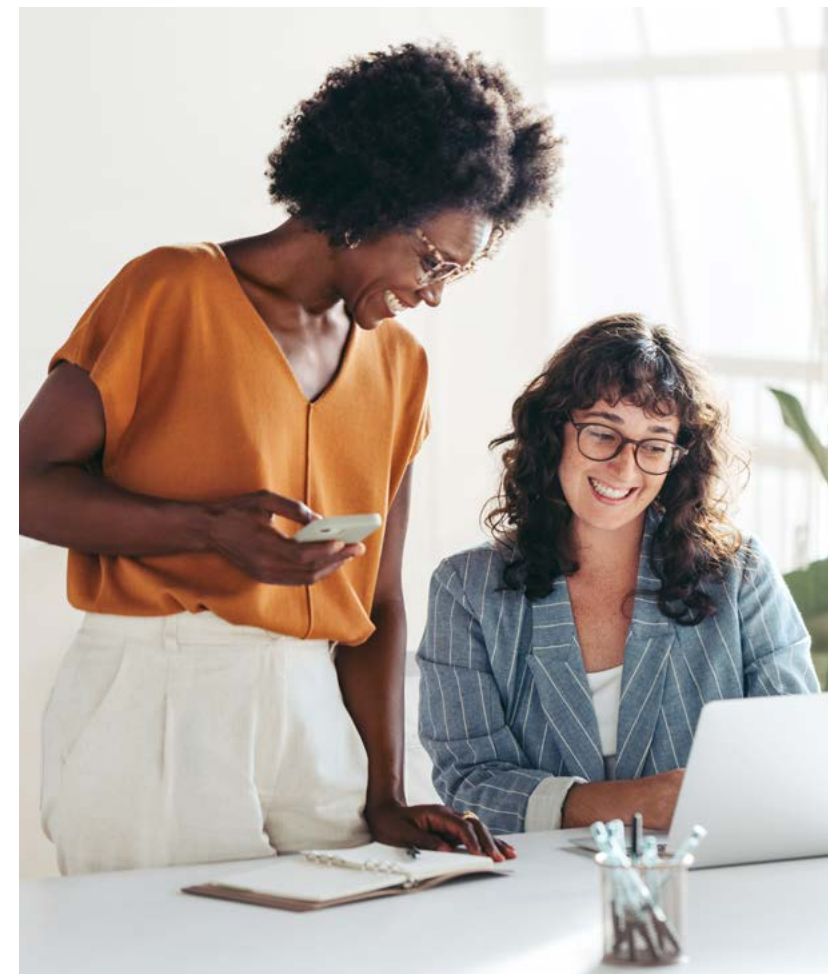
While UK only businesses are not directly within scope of the new Directive, there could potentially be increased pressure to be transparent on pay. UK employers with operations in EU member states will need to comply with the new reporting requirements, and this could increase pay transparency in UK operations from a cultural perspective. Even if employers have no EU presence, it is anticipated many will challenge themselves to provide greater transparency to avoid losing out to their EU competitors in the race for talent.

Click on the map for  
more information on  
each country



# What should employers do now?

- Plan and mobilise a project team. Get the Directive on your business' agenda and formulate an action plan, bringing together stakeholders across Human Resources, Legal, Reward, and Communications.
- Review your pay structures. Check your job architecture, pay ranges and grading structures have been implemented effectively and are robust. Often, reward structures are adapted over time, and this can lead to inequities if there are insufficient checks and controls in place. Take the time now to review your reward structures so that you are ready for transparency.
- Check which countries will be impacted. Review your headcount and take particular care that you start preparing for the new reporting obligations in countries with at least 100 employees.
- Define "categories of worker". Establish how to group employees so that you can compare work of equal value. Consider collective bargaining agreements and reward structures and make sure your data captures those categorisations.
- Do a dry run of the reporting obligations. Identifying gaps of five percent or more in worker categories may be daunting, but it is better to review those before reporting is mandatory. This creates opportunity to:
  - Explore whether there are any objective justifications for pay differences;
  - Address any equal pay issues and remove unjustified gaps to mitigate against litigation; and
  - Ensure your policies and practices are robust.
- Prepare communications and employee engagement. Being prepared for transparency and pro-actively steering your workforce through this cultural shift will have a huge impact. HR and line managers will need to be able to respond to challenges confidently and should seek advice from their legal advisers to devise an effective communication strategy.





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