



Your pay data is becoming public: are you ready?

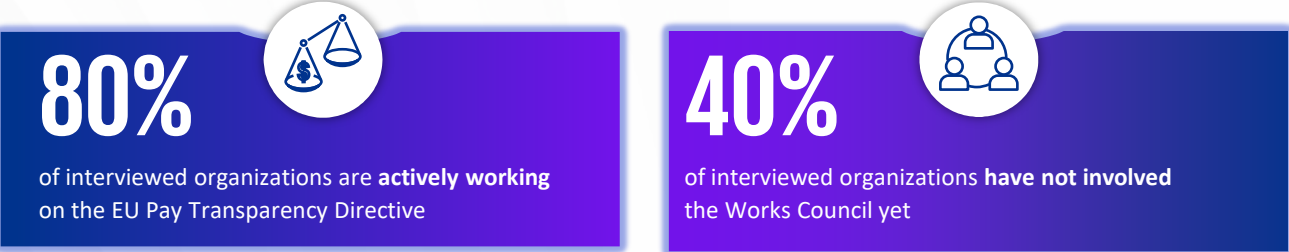
The EU Pay Transparency Directive:
insights, impact, and your next steps

May 2026



Pay Transparency is not a compliance exercise: it's about being a trustworthy employer

The EU Pay Transparency Directive has put equal pay firmly on the agenda, and organizations are already responding. A KPMG market study, based on structured interviews across sectors, shows that most organizations are no longer debating *whether* to act, but *how* to act and at what pace, amid legal uncertainty, data limitations, and operational complexity.



While the ambition of the Directive is broadly understood, confidence in its practical application remains limited. Organizations continue to face challenges with fundamental questions, including what exactly needs to be reported, how ‘work of equal value’ should be defined in practice, and whether underlying pay data is sufficiently reliable and explainable.

Despite this uncertainty, inaction is not the dominant response. Many organizations are taking steps to prepare for increased scrutiny, initiating analyses, strengthening governance, and making design choices, while certain key elements of the Directive remain open to interpretation, such as the definition of comparable employee categories and the scope of pay components to be included in pay gap analysis and reporting.

Why this matters

Moving from intent to demonstrable readiness is rarely linear. The findings from the KPMG study show that organizations progress through a combination of analysis, coordination, and experimentation, while navigating ongoing uncertainty around legal interpretations, data quality, and organizational readiness. The critical challenge is not a lack of activity. It is the gap between visible effort and explainable outcomes. As transparency requirements become operational, organizations will increasingly be expected to justify pay differences in a consistent, evidence-based way. This shifts the focus from calculating gaps to being able to explain them, internally and externally.

The actions described below are not presented as a fixed blueprint. They reflect recurring practices observed across organizations and sectors at different stages of maturity. Together, they highlight where organizations typically start, where progress tends to slow down, and where focused effort has the greatest impact. Readiness is not what organizations *say* they are doing. It is what they can *demonstrate*.

1

Anchor ownership across functions
Equal pay readiness accelerates when it is treated as a shared business agenda rather than a standalone HR task. Organizations bring HR/Reward, Finance, Data Analytics, and Legal into a single multidisciplinary project structure, often supported by focused workstreams.

2

Build visibility first, then focus effort
Most organizations start with an organization-wide baseline pay gap analysis and then narrow down to the job families, grades, or pay elements where differences require explanation. This creates an initial fact base to prioritize further analysis.

3

Make job architecture your defensible backbone
Existing job families, grades, and evaluation frameworks are used as the primary anchor for comparability. Additional documentation is created only where the framework does not fully explain outcomes.

4

Capture rationale at the moment decisions are made
Several organizations document explanations for discretionary pay decisions during salary review cycles. Capturing rationale at source and document in a ‘library’ reduces the need for retrospective justification and supports consistent explainability over time.

High market activity masks a clear readiness gap in organizations' ability to explain and defend pay outcomes

What we observe in the market

Across sectors, organizations are moving fast on pay transparency. Analyses are launched, governance structures are introduced, and internal discussions are intensifying. On the surface, momentum is strong. But beneath this activity, a different picture emerges. While engagement is widespread, the ability to explain, justify and consistently defend pay outcomes varies significantly. Some have, or are building a solid foundation, with defined job families and levels, clear ownership of pay decisions, and documented criteria that link individual pay outcomes to agreed principles rather than ad-hoc judgement. Others are set out to move quickly, addressing visible requirements first, but without yet having the underlying structures fully in place to sustain their decisions when scrutiny increases. In short: the market is active, but readiness is uneven.



Caroline Tervoort Partner HR Transformation & CHRO of the year 2023

"The EU Pay Transparency Directive isn't about compliance. Although it might feel like it, because of the deadline of June 2026 by which the Directive comes into effect.

Many already conduct pay gap analyses over consecutive years as part of internal and external (integrated) reporting practices. The main difference is that this Directive is not about signaling macro trends in an organization (e.g. CSRD), it is about a legal frame with different and often more extensive definitions to adhere to than the ones used to date.

If nothing else, the Directive reinforces the importance of existing gender equality efforts and the need to demonstrate trustworthiness as an employer through evidence-based and justifiable choices. It is about ensuring that all people, regardless of gender, have an equal opportunity to progress in their careers. Those at the forefront in our market study are the ones that embrace this perspective. It serves as a testament to employer attractiveness."

Why activity alone is not enough

Many organizations equate progress with action: starting analyses, drafting policies or preparing disclosures. These steps are important, but they do not, by themselves, determine readiness. True readiness requires more. It depends on whether pay outcomes can be:

- clearly explained,
- consistently justified, and
- sustained over time as requirements evolve

Our observations show that key elements, such as explainable job architectures, consistent documentation and operational embedding, remain underdeveloped in many areas. This is particularly visible in areas where the Directive leaves room for interpretation, such as the treatment of inbound and outbound expats, international allowances, or differences driven by local market practices, which are expected to be further clarified through additional guidance and consultations.

In the absence of full regulatory clarity, the Directive must be interpreted as carefully as possible on the basis of existing frameworks and available guidance. This requires informed decision-making, active dialogue with boards of management, and clear documentation of the rationale behind choices made. Without this, it becomes harder to explain or defend differences in pay outcomes when challenged. Those that delay making and documenting such decisions until further guidance emerges, risk falling behind and amplify future remediation effort.

Sustainable pay transparency requires more than disclosures, it requires decisions that can be explained, justified and defended over time.

From activity to justification: What real readiness looks like in practice

KPMG perspective: readiness is about defensibility

From a KPMG perspective, readiness is not measured by the number of initiatives underway, but by the maturity of the underlying operating model. Organizations that move early, make explicit design choices and actively manage uncertainty are better positioned to adapt as expectations sharpen. They are **building resilience, not just compliance**. Organizations that focus solely on activity, without strengthening the underlying foundations, may appear prepared today but remain exposed tomorrow.

About this whitepaper

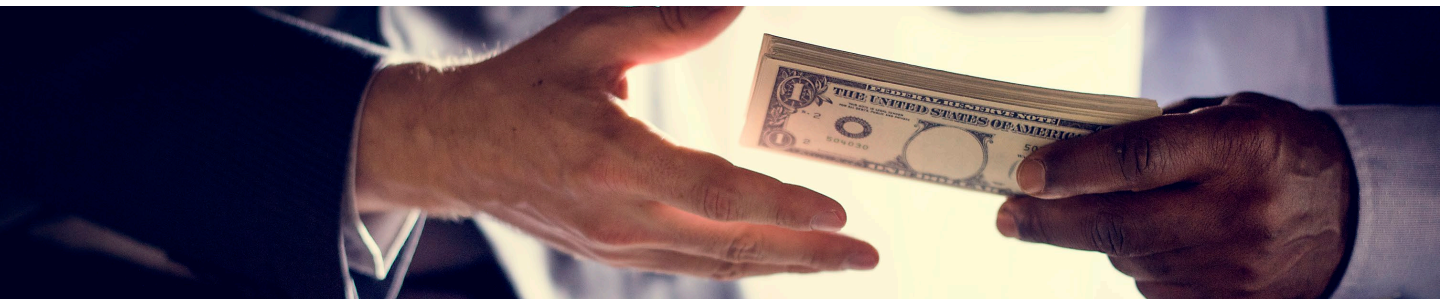
This whitepaper is based on structured qualitative interviews with HR and reward leaders across multiple sectors, including both public and private organizations. The interviews have focused on three core areas: current implementation status, experienced challenges and bottlenecks, and the practical approaches in use today.

All input was processed confidentially. Examples and quotes are anonymized and used to illustrate recurring market patterns rather than individual organizational practices. The insights presented are qualitative in nature and do not constitute legal advice or a formal compliance assessment.

What these insights reveal about the market

Taken together, the insights reveal clear and recurring patterns across organizations. While activity around pay transparency is high across sectors, readiness to deliver, explain and sustain equal pay outcomes varies significantly.

To make these differences tangible and actionable, in this white paper we group observed practices into **three distinct scenarios**. These scenarios reflect not intended ambition, but the current ability to consistently deliver, explain and defend pay differences as scrutiny increases.



Where organizations are today: Three scenarios from the market

Scenario 1

Not started beyond exploration

What we observe

At this scenario, the primary focus is on understanding what the Directive will require in practice. Discussions remain exploratory and often centered on definitions, scope and interpretation. Job architectures and role categorizations are frequently not yet mature enough to support consistent comparison of work of equal value. Data availability is being assessed across HR, payroll and finance, typically without dedicated tooling. While the relevance of Works Council involvement is acknowledged, engagement is often postponed until there is greater clarity on criteria, scope, and approach. Communication with employees remains limited, as the implications of transparency requirements for employee questions and operational workload are still being considered.

Next steps typically taken

Initial efforts tend to focus on mapping requirements, assessing data availability, and identifying which functions will need to be involved once implementation begins.

Interview insight

“People are still searching. There is legislation, but no one really knows what it means in practice yet. How should we interpret it? What are the definitions?”

Scenario 2

Started analysis, foundations forming

What we observe

This stage is characterized by the start of analyses and the definition of an initial scope, for example across selected job families, grades, or business units. Existing job and salary structures are used as a foundation, although they often still require refinement or harmonization. Early results are sometimes shared internally, accompanied by careful explanation to avoid misinterpretation. There is also growing awareness of the need to manage employee expectations, particularly in anticipation of questions that may arise once transparency rights are exercised. Governance structures begin to take shape, but key design choices remain under discussion, including how to determine work of equal value, how to address differences driven by labor market conditions, and which pay elements should be included or excluded. Works Council engagement typically begins in this phase, although often still in an informal or reactive manner.

Next steps typically taken

Priority is given to areas requiring deeper review, while governance arrangements are refined and documentation is strengthened to support explainability over time.

Interview insight

“We shared the pay gap number but immediately explained that there are nuances. You need to add context, otherwise people draw the wrong conclusions.”

Scenario 3

Implemented, moving to explainability

What we observe

At this scenario, the focus extends beyond analysis and increasingly centers on explainability and sustainability. Attention shifts from calculating pay gaps to ensuring that outcomes can be consistently justified. The rationale behind decisions is documented more systematically. At the same time, communication becomes more proactive, with some frontrunners already engaging employees early and preparing for implementation in the coming months of 2026. Processes are designed to handle information requests, and managers are supported in having pay-related conversations with employees. Communication becomes more structured and proactive, explaining not only outcomes but also principles and decision logic. Works Council involvement is embedded in the process, with clearer moments for consultation and alignment. The need for interpretation is accepted as unavoidable, and the focus is on making informed, documented decisions that can be revisited as guidance evolves.

Next steps typically taken

Organizations focus on capturing decision rationales now they are made, piloting communication approaches and iteratively refining processes as experience grows.

Interview insight

“You can design a report, but if requirements change, you need to adapt. That’s why we document our choices as we go.”

Are your foundations strong enough when questions arise?

Where progress tends to slow down

The three scenarios illustrate that organizations approach pay transparency from different starting points. Across these differences, the interviews also reveal a set of recurring friction points. These do not stem from a lack of intent or activity but emerge where multiple dimensions of pay transparency readiness need to come together in practice. All the while managing a lack of clarity in the Directive in areas such as what work of equal value exactly entails or what reward components fall within or outside of the scope.

The five sections outlined below and on the next page highlight where progress most often slows in the transition from analysis to explainable, transparent, and defensible solutions, particularly where multiple stakeholders need to be aligned. Each section concludes with practical insights into how these challenges can be overcome.

Definitions and scope

Uncertainty around definitions and scope continues to affect decision-making. Open questions remain around which pay components fall within scope, how detailed reporting should be, and how employee information rights will operate in practice. While these issues remain unresolved, ownership across functions is often unclear and decisions are postponed. This raises the risk that analyses or reporting efforts will need to be revisited later, adding pressure as implementation timelines tighten.

In practice, frontrunners move forward by making interim choices on scope and definitions early, grounding them in existing policy and established practice to avoid fragmented ownership and repeated rework later.

Job architecture and “work of equal value”

Job architecture plays a central role in applying the concept of “work of equal value,” yet it is also a frequent source of dispute. Many organizations are still harmonizing roles, grades, and evaluation frameworks across populations, business units, or geographies. Broad job families often require additional interpretation when applied to individual comparisons.

Where this underlying structure lacks sufficient consistency or granularity, explaining pay differences becomes difficult. This directly affects an organization’s ability to support outcomes in a structured and repeatable way. As a result, organizations increasingly assess whether current job architectures holdup under detailed comparison, refining them rather than rebuilding them.

Data quality, tooling, and evidence

Pay-relevant data is generally available, but it is often spread across systems or not structured to support repeatable reporting. Historical data that could support explanations, such as education, experience, or the rationale behind discretionary decisions, is not always captured consistently.



Are your foundations strong enough when questions arise?

As transparency requirements increase, fragmented data and limited documentation make it harder to move from one-off analysis to evidence-based explanations that can withstand scrutiny. In practice, more advanced organizations embed equal-pay analysis into recurring processes such as salary reviews, where flagged cases require explanation and documentation, allowing evidence quality to improve incrementally over time.

Transparency and organizational impact

Employees are expected to submit more requests as pay transparency becomes more visible, while operational processes for handling requests and communication are still evolving. As transparency increases, many employers take a phased or cautious approach, responding to individual cases or starting with limited disclosures, whereas more leading examples move proactively, sharing insights and personal overviews early as a strategic choice to strengthen trust and credibility as an employer.

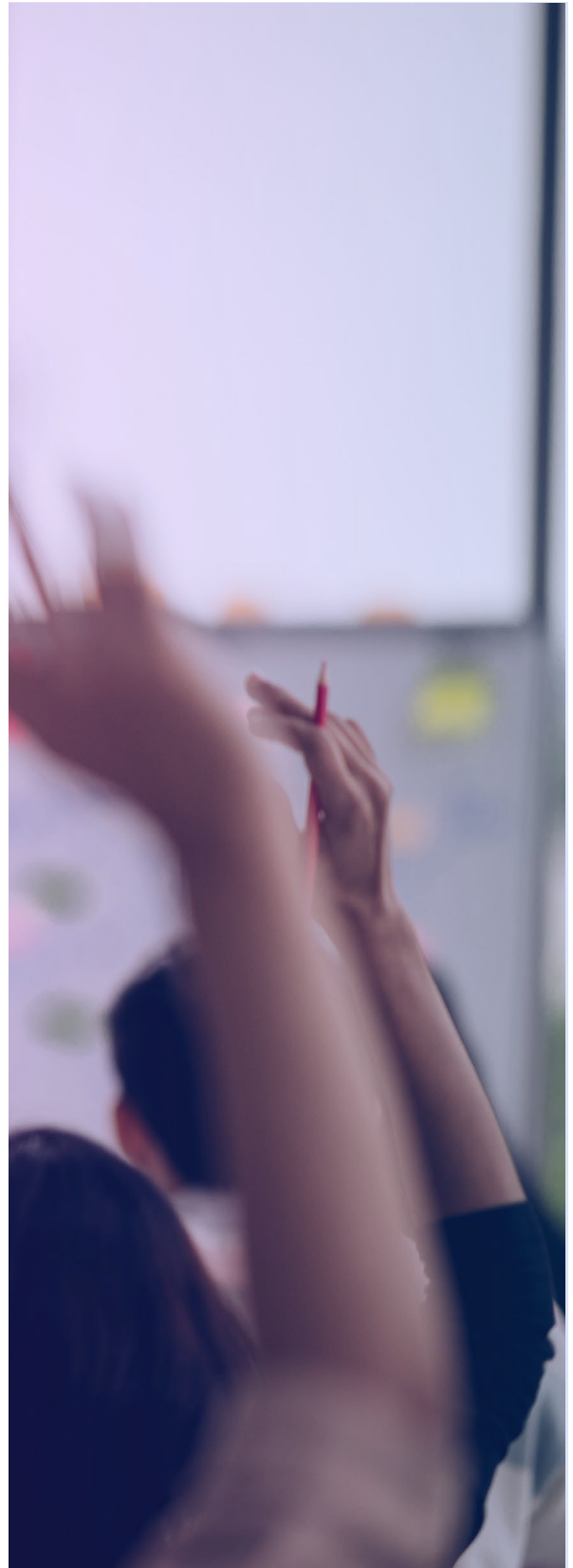
However, without clear frameworks, policies, processes and messaging, there is a risk of being operationally unprepared for the practical impact of increased scrutiny. Consequently, organizations describe a shift from simply publishing figures to designing scalable processes that distinguish between routine information requests and cases requiring deeper analysis, escalation, and clear accountability.

Managing employee & labor relations

Managing employee and labor relations is a critical factor in how pay transparency is governed in practice, particularly given differing regulatory interpretations across jurisdictions. Interviewees noted that uncertainty around scope, aggregation levels, and explainability often elevates pay transparency from a technical HR topic to a broader governance issue. In practice, organizations that made smoother progress engaged employee representatives and labor stakeholders early to align on guiding principles, such as how transparency is balanced with privacy in small populations and how outcomes will be explained consistently across the workforce.

What this means across scenarios

Taken together, these friction points show that progress most often slows down at the point where insights must be translated into consistent decisions, documentation, and communication. Organizations that focus primarily on analytics or tooling in isolation risk achieving compliance on paper without achieving demonstrable readiness in practice.



Prepare today to avoid pressure tomorrow

Readiness is not driven by excelling in a single element, whether data, policy, or analysis, but by bringing multiple foundations together in a consistent, integrated way. Progress is greatest when analysis, governance, job architecture, data and communication are aligned and mutually reinforcing, supported by a multidisciplinary team with clear roles, responsibilities and ownership across these domains. This integrated approach also explains why organizations with similar levels of activity can still differ significantly in their ability to explain and justify gender pay outcomes in practice.

Beyond analysis alone

Many organizations invest early in pay gap analysis and data exploration. While this creates visibility, it does not automatically lead to explainable outcomes. Where analysis is not embedded in clear ownership structures, supported by consistent job evaluation and salary structures, and accompanied by documentation and communication practices, progress tends to slow down.

Alignment across foundations

Interview insights consistently highlight the importance of alignment across core foundations: how roles are defined and compared, how pay decisions are made and documented, how data is structured and accessed, and how transparency is handled in practice. A weak spot in one area tends to hold back progress in others. What sets leading organizations apart is that they see the directive not as a hurdle to clear, but as an opportunity to strengthen their position as an employer of choice. Organizations that take this forward-looking stance, rather than treating it as a compliance exercise, are the ones that come out on top.

Where does your organization stand?



The scenarios and friction points outlined in this paper highlight a recurring challenge: the gap between implementation activity and demonstrable readiness. While many organizations have already taken steps, fewer feel confident in their ability to consistently explain and justify pay outcomes in practice.

To support organizations in reflecting on their level of readiness, KPMG has developed a **Pay Transparency Maturity and Readiness Check**. This assessment offers structured insight across the dimensions that matter most, including job architecture, pay structures, data quality, governance, and communication, helping organizations determine where focused action may be required next.

What this means going forward

Getting ready for pay transparency is no longer a compliance exercise, but a clear business imperative. The interviews show that frontrunning organizations take a multidisciplinary approach, build on existing practices, document choices thoroughly, adapt as guidance evolves, involve works councils in a structured way, and invest in transparent communication. These organizations demonstrate that the Directive is not about ticking boxes, but about reinforcing trust, credibility, and long-term attractiveness as an employer.

Acts now creates room to learn and adapt, while those that wait risk being forced into reactive decisions under pressure. But having the right tools is only the beginning. Turn the page to find out what it really takes to be ready and where your organization stands today.

How KPMG supports your Equal Pay journey

KPMG supports organizations across the full equal pay journey, from building awareness and assessing pay gaps to redesigning structures, managing legal risk, and embedding sustainable change.

01 Inspiration session for the HR team

To inform the HR team about the latest developments surrounding the EU Directive (and its implementation), we can hold an inspiration and knowledge session. During this session, we will discuss what is involved in implementing the EU Directive, identify the essential information required and assess maturity levels to define an action plan.

02 High-level pay gap analysis

Using our flexible Pay Gap tool, we can draw up a high-level analysis of the current situation in your organization. A practical dashboard provides insight into the current status and enables you to create a roadmap to establish control in good time before the Directive comes into force.

03 Deep-dive analysis

We can thoroughly analyze the data to identify the causes of any pay gap. This includes a comprehensive evaluation of the organization's job and remuneration structures.

04 (Re)design of job and pay-structures

Based on our analysis, we can provide support in redesigning job and remuneration structures with the aim of promoting equal pay.

05 Legal risk assessment

We can analyze the legal implications of the EU Directive for your organization and draw up an action plan to mitigate the risk of any consequences under employment law.

06 Social dialogue

We can guide your organization through the process with relevant stakeholders, such as the works council and trade unions. Together, we can ensure that the approach is sound and approved by all parties.

07 Reporting

We can support your organization in preparing the mandatory reports that comply with all legal requirements and regulations and ensure efficient process guidance.

08 System implementation

We can assist in setting up the administration and personnel system.

09 Internationally compliant

We can support your organization in implementing the Directive in an international context. Thanks to our international network, we can ensure the correct interpretation of local laws and regulations, the efficient collection and harmonization of data from different countries and systems, and a streamlined process.

10 Change management

We can support your organization in effectively implementing the necessary transitions and changes, enabling the organization to achieve a fair and transparent remuneration policy in a sustainable manner.



Caroline Tervoort

Partner HR Transformation

Corporate Services

Transformation

M +31 (0)6 27744935

E Tervoort.Caroline@kpmg.nl



Tamara Kooij

Senior Manager HR

Transformation

Corporate Services

Transformation

M +31 6 16908115

E Kooij.Tamara@kpmg.nl



Maya Agema

Senior Consultant HR

Transformation

Corporate Services

Transformation

M +31 (0)6 40359143

E Agema.Maya@kpmg.nl

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