



GMS Flash Alert

Employment Law

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European Union – Countdown to Upcoming Pay Transparency Requirements for Employers

The European Union (EU) member states must implement the European Pay Transparency Directive¹ by June 7, 2026. Employers will be required to comply with most of the Directive's requirements as soon as it is implemented locally in each member state.

The Directive aims to reduce the gender pay gap and promote a culture of fairness and accountability by mandating companies to provide pay transparency to job applicants and employees, as well as to report on their pay gap. In the event of a dispute, the burden of proof will rest with the company to demonstrate that there has been no violation of the equal-pay principle.

WHY THIS MATTERS

The Directive on Pay Transparency applies to all companies with employees in EU member states, regardless of where the company is headquartered. This means that companies operating in the EU – including, for example, U.S. multinationals – and those with cross-border employees, will be impacted and should begin preparing to meet the requirements and mitigate risks. There is expected to be more information gathering and reporting and other related administrative steps in order to achieve compliance with the Directive.

The impact of this Directive will be organization-wide, affecting everything from recruitment policies and processes to the management and accessibility of pay data. Companies must be prepared to share relevant information about pay with employees and report pay gaps.

Pay Transparency Directive: Highlights

Background and Upcoming Obligations

The Pay Transparency Directive was adopted to create more transparent, fair, and accountable pay practices, helping to ensure equal pay for all and accelerating progress toward closing the gender pay gap in the EU.²

The Directive applies to companies with employees in EU member states, regardless of where the company is headquartered. Member states must implement the Directive in national legislation by June 7, 2026, and may choose to introduce additional or even stricter obligations.

From the time the pay transparency rules are implemented, companies must be able to provide employees, upon request, with information about their individual pay and average pay levels, broken down by gender, for categories of employees performing the same work or work of equal value.

For job applicants, the companies must disclose initial pay (or pay ranges) in job advertisements or before job interviews. Applicants may also request information about pay levels for comparable roles, and companies are required to accommodate such requests.

Key Highlights

Employees

Employees will have the right to receive information on their individual pay and the average pay by gender for categories of employees performing the same or work of equal value. Companies must inform all employees annually about this right and explain how they can access the relevant pay data.

In addition, companies must make information about the criteria used to determine pay, pay levels, and – where there are at least 50 employees – pay progression, easily accessible to all employees. These criteria must be objective and gender-neutral to comply with the Directive.

Furthermore, provisions on pay confidentiality will be banned in employment contracts and company policies.

Applicants

Job advertisements and job titles for vacancies must be gender-neutral. Companies will be prohibited from asking job applicants about their pay history with current or previous employers.

Job applicants will also have the right to receive information about the initial pay or pay range for the vacancy.

Reporting

Reporting on a pay gap will be mandatory for companies with at least 100 employees, with the obligation being implemented progressively.

- Companies with 100-149 employees must publish a report on a pay gap by June 7, 2031, and every three years thereafter.
- Companies with 150-249 employees must publish their pay gap report by June 7, 2027, and every three years thereafter.
- Companies with 250 or more employees must publish their pay gap report by June 7, 2027, and annually thereafter.

If a pay gap report reveals an unjustified pay gap of 5 percent or more, the company must conduct a joint assessment with employee representatives to identify, remedy, and prevent differences in pay between male and female employees that are not justified by objective, gender-neutral criteria.

Enforcement

If a company fails to meet its pay transparency obligations, employees must receive full compensation for damages, including back pay, bonuses, lost opportunities as well as non-material damages such as distress caused by undervaluation of work performed, and interest without cap.

In the event of a claim, the burden of proof is on the employer to demonstrate that no pay discrimination has occurred. Companies that violate pay transparency requirements or the principle of pay equality will be subject to penalties, which will be determined by each member state.

KPMG INSIGHTS

Currently six member states have not shown significant activity in implementing the Pay Transparency Directive, while 21 member states have initiated steps such as consultation procedures, draft proposals, or partial implementation.

Although the Directive is not yet fully implemented, its requirements are clear enough for companies to begin preparations now. By June 7, 2026, companies are expected to be compliant; so waiting until then to act will be too late.

This Directive is a key component of the EU's agenda to eliminate the persistent gender pay gap in the labor market. Member states are therefore expected to prioritize both the implementation and enforcement of the Directive, as it is designed to ensure equal compensation for equal value work. Non-compliance may result in reputational damage, legal claims, and financial penalties.

It is recommended that companies begin preparation now, as waiting until June 2026, will be too late and could expose the company to sanctions, legal scrutiny, and reputational damage.

Companies affected by the Directive on Pay Transparency should consider the following:

- Setting up systems to collect, analyze, and report pay data as required;
- Assessing current pay structures and identifying any gender pay gaps or inconsistencies;
- Fostering transparency and compliance around recruitment, promotion, and pay policies;
- Training HR and management staff on new obligations and best practices for pay transparency;
- Engaging in a dialogue with employee representatives, who play a key role in implementing and complying with the transparency requirements.

For tailored advice and assistance with compliance strategies, please reach out to your usual employment law and/or HR professional or a KPMG adviser.

FOOTNOTES:

1 On the EUR-Lex website: [Directive \(EU\) 2023/970 of the European Parliament and of the Council of 10 May 2023 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms \(Text with EEA relevance\)](#).

2 On the Eurostat website, European Union: [Gender pay gap statistics](#), March 2025.

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Contact us

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