

# LENS ON:

## Pay Transparency in the EU: an introduction

---

### March 2025

The EU Pay Transparency (EUPT) Directive came into effect in June 2023, with a three-year transition period to June 2026 to give employers and EU governments time to prepare. With only 16 months of the transition period left to run, legislation is yet to be drafted by many governments and many employers have yet to start their journey (and are perhaps unaware of the full scope of the new requirements).

In summary, the core requirements of EUPT Directive are:

#### Transparency & Communication

- Job applicants must be informed of the salary (range) of the role they are applying for and they cannot be asked about previous/current pay during the interview process
- Job adverts must be gender-neutral and the recruitment processes must be clearly non-discriminatory
- Employers must share information on how pay is set, managed and progressed with employees. The criteria must be objective and gender-neutral (countries may exempt employers with <50 employees from the progression requirements)
- Workers have the right to request and receive in writing "... information on their individual pay level and the average pay levels broken down by sex, for categories of workers performing the same work as them or work of equal value." Employers must remind employees of their right to request this information annually
- Employers cannot prohibit employees from disclosing pay details (e.g. by using pay secrecy or confidentiality clauses)
- Gender-neutral analytical job evaluation schemes need to be deployed to identify work of equal value
- Any pay differences must be related to objective criteria and not gender (e.g. performance track record, market premia, etc.)

#### Gender Pay Gap (GPG) reporting

- Employers with at least 100 employees must publish information on their gender pay gap
  - Employers with 250+ employees must publish their GPG by 7 June 2027 and annually thereafter
  - Employers with 150-249 employees must publish their GPG by 7 June 2027 and then every three years
  - Employers with 100-149 employees must publish their GPG by 7 June 2031 and then every three years
  - Employers with fewer than 100 workers may choose to publish their GPG
- Employers must share detail of their methodology with their works councils
- If countries already go further than these reporting requirements, current practices are to continue
- If a GPG of 5%+ exists, is unexplained and the employer is unable to correct it within six months, employers must work with their employee representatives to conduct a Joint Pay Assessment and develop a gender action plan to close the gap. This must be shared with employees

## Scope of the regulations

- The regulations apply to all employers with employees in the EU, regardless of headcount or business sector. However, the GPG requirements are focussed on larger employers
- The regulations apply to all workers with an employment relationship with a business, including leadership, contractors and part-time employees
- The definition of pay goes beyond salary, variable pay and incentives; it includes benefits received "... directly or indirectly, whether in cash or in kind..."
- The regulations are intended to drive the principle of 'equal pay for work of equal value'. This creates requirements for employers to robustly identify equal work through an appropriate, analytical job evaluation scheme

### Ellason commentary

The EUPT Directive has many, potentially significant, implications for the relationship between employers and employees. At a minimum, compliance will require extensive planning and preparation including, but not limited to:

- Developing more robust grading structures that are underpinned by an analytical job evaluation method to identify work of equal value in the business
- Reviewing and re-designing the organisation's reward strategy as part of the review of reward practices and to enable relevant information to be shared easily with employees
- Re-designing bonus schemes to reduce/remove management discretion and/or to provide a more objective and transparent award determination and allocation process
- Detailed analytics of equal pay and gender pay, to enable anomalies or issues to be addressed

Preparing for the new regulations will require time. The potential activity list is likely to span the entire employee population in relevant markets and beyond; a considered and planned approach will therefore be necessary to ensure compliance can be achieved as smoothly as possible. While we await confirmation by individual countries of how they will enact the requirements through local legalisation, the core requirements are already clear and can start to be acted upon now.

*Please do not hesitate to contact any of the Ellason team should you wish to discuss this topic further, whatever stage in the preparation process you are currently at.*