

## LENS ON:

### Pay Transparency in the EU: implications for UK employers

---

#### March 2025

In June 2023, the EU Pay Transparency (EUPT) Directive came into effect. This set out a number of threshold pay transparency requirements for EU member states to write into national law and for employers to comply with, by June 2026. The EUPT requirements are far-reaching, with many potentially significant implications for employers across the region. Following Brexit, the UK is not within the scope of the incoming EU regulations, but nevertheless, employers in the UK should expect to be impacted.

EU employers have been assessing their response to the regulations since early 2023. In our experience, the significant majority have decided they will not significantly differentiate their approaches across Europe meaning that non-EU member countries in Europe (UK, Switzerland, Norway, Iceland, etc) should also expect to see some changes.

The reasons being cited by employers for the adoption of a pan-European response include:

- Treating the UK and other, non-EU, states differently would create complexity. It is much simpler to have a single, common approach and its fairer because all employees within an international team would have similar access rights to the same information.
- Differentiating by Country could undermine an organisation's international brand and reputation if it operates different reward principles and practices in proximate geographies.
- International mobility, particularly within small geographic areas such as Europe, has increased significantly in recent years. This could be hampered by operating different reward principles across the region.
- Differentiating principles and practices could lead to employee resentment and disengagement in low-transparency markets. International working has become more common, with increasingly regular international collaboration. As a result, colleagues in relatively low-transparency markets, e.g. the UK, would soon find out about the increased level of communication and transparency that colleagues in EU markets will receive.
- Many employers believe it is a matter of time before the UK establishes its own pay transparency requirements. As a result, work done now (when changes are already being made elsewhere in the region) is simply getting ahead on work that will be required in the future.
- Access to information has proliferated more widely in the online age, and many employers consider an increased level of pay transparency simply to be the right thing to do. However, employers might choose not to adopt every single aspect of the EU regulations for their non-EU operations; some degree of self-selection is possible in the absence of formal, local requirements.

Employers, therefore, expect many aspects of the EUPT regulations to become increasingly prevalent in the UK. This is reinforced by recent surveys of UK-based HR professionals, who almost universally expect to see the impacts of the regulations beginning to manifest themselves locally very soon.

### Ellason commentary

The EUPT Directive will drive significant change in EU pay practices and many EU employers are already considering the extension of these requirements to the UK (and other non-EU European states). Doing so is not only simple, it also promotes fairness and equality by deploying a common set of approaches across the region.

For this reason, UK employers are advised not to ignore the EU regulations. Research indicates that employees value greater transparency; as a result, lagging market changes (even by a few months) could negatively impact an employer's ability to successfully attract and retain talent. Therefore, Ellason strongly encourages UK employers to invest time now to:

- Understand the EU regulations and emerging practices for complying with these; and
- Review current reward practices and assess how they could evolve to improve transparency and rigour, with an emphasis on visible pay equity and fairness.

UK employers are in a potentially privileged position. Changes in the UK are not driven by regulation (yet) so there is a degree of optionality and flexibility to how to respond. However, it is becoming increasingly clear that doing nothing, even at this early stage in the process, risks disadvantaging UK employers in the competition for talent with international competitors.

*Please do not hesitate to contact any of the Ellason team should you wish to discuss this issue further.*