

LENS ON:

EU Pay Transparency: practical steps on the journey to compliance

March 2025

In June 2023, the EU Pay Transparency (EUPT) Directive came into effect, setting out minimum pay transparency requirements for all EU member states to write into national law by June 2026. The EU requirements are far-reaching, with many potentially significant implications for employers across the continent. Despite this, and the fact that we are now more than halfway through the 3-year transition period, many employers have yet to prepare their response to the forthcoming legislation.

In Ellason's experience, many companies are awaiting country-specific legislation to be drafted. However, the core requirements are clear and can be acted on now (with further finessing, if required, once country-specific rules are confirmed). Others are unsure where to begin in addressing the new regulations; these are far-reaching changes which impact all reward and many related people processes, including recruitment, performance management, talent management and training & development.

As a result, it can be difficult knowing exactly when/where to start and, for this reason, Ellason has mapped out the project framework we use with our clients, to help them navigate the journey in a smooth, effective and planful manner.

Ellason's EUPT project framework

Step	Details
Educate leaders	Ensure Leaders and HR understand the regulations, including the drivers and intended impacts, to help prepare for the changes that are coming
Conduct a 'readiness' assessment	This diagnostic review should compare existing reward practices against the core regulations to identify areas of alignment as well as practices that will need to evolve. When country-specific regulations are published, it will then be possible to revisit the initial 'readiness' report
Develop an action plan	Ensure the business works toward timely compliance, noting that time needs to be allocated for design as well as local implementation (including any required engagement of local Works Councils)
Develop communication and education programme	An important activity in helping to control and direct internal communications. It ensures that individuals are appropriately informed of the changes and the rationale behind them (rather than risking the narrative being led by the media or Works Councils)
Design, deliver and implement the change	Deliver the agreed changes, including appropriate analytical work, and look for opportunities to involve employees and managers in the process. There is an opportunity to help ensure that the process – not just the result – is as transparent as possible to help engage the employee population

Delaying this work carries a risk of potential non-compliance with penalties that include fines and exclusion from public contracts. However, employers are, perhaps rightly, more concerned about the risk and impact of reputational damage that would arise from a failure to comply. When such a failure becomes public knowledge there is a risk it will drive employee disengagement and unrest and it will create related challenges in recruiting and retaining talent.

Breaking the journey down into a few, simple steps helps to develop a plan that is clear, and easy for business leaders to buy into. This is exactly what we aim to achieve when we use the above framework to help our clients prepare.

A common mistake is to jump straight to reward analytics for answers. Analytics have an important role in the process but need to be undertaken at the right time. For example, conducting an equal pay audit when the underpinning grading / job evaluation methodology has not been validated can easily lead to the output from the work being meaningless, e.g. if based on an incorrect identification of 'equal work'.

Ellason commentary

Many employers are continuing to evolve their understanding of the full scope and impact of the EU Pay Transparency regulations. However, with less than half of the transition period remaining, there is growing pressure to progress to transparency preparedness; the core requirements are known and can be acted on while country-specific legislation is awaited.

As a result, it is therefore possible, and recommended, to develop a journey plan now and to begin delivering that plan. 'Readiness' assessments are a particularly critical part of that process as they help to identify specific evolutions that the organisation will need to take and they enable the business to schedule the work in the time remaining.

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