

LENS ON:

Pay Transparency: the new normal

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In June 2023, the EU Pay Transparency (EUPD) Directive came into effect. The Directive sets out a number of threshold pay transparency requirements for all EU member states to build on and write into national law by June 2026. The EU requirements are far-reaching and impact all employers in the EU, regardless of scale or sector.

As well as an additional administrative and reporting burden, impacted employers will be required to share more fundamental information on pay practices and levels with employees, and potential employees.

Whilst much of the recent focus has been on developments in Europe, similar requirements are also being introduced around the world:

Country	Development
US	Every state has a different set of requirements, although most have now imposed salary history bans during the recruitment process and mandated provision of salary data/ranges for advertised roles. The regulatory burden is expected to continue to grow at a federal level under the new government
Canada	Regulations have been introduced on a province-by-province basis, although there are national requirements for federal employers. Every province is slightly different but there is an emphasis on Gender Pay Gap reporting; some provinces also impose salary history bans
Ecuador	Equal pay is now a legal right in the country. Employers must comply with the 'Violet Economy' Law, under which a gender equality plan must be developed and registered with the Government. The requirements go beyond pay, and include female representation on company boards and employer-provided childcare support to enable more mothers to return to work after a period of maternity leave
Australia	The first public release of gender pay gap data for nearly 5,000 employers was made in February 2024, with employers now required to address their reported pay gaps. Pay secrecy bans have also been introduced
Japan	The 'Promotion of Women's Participation and Advancement in the Workplace' Act was updated in 2022, in an attempt to close the national gender pay gap (which is large in comparison to other developed economies). Mandated gender pay gap reporting and equality planning have been introduced for the largest employers. Additional regulations are expected to follow
UK	Gender Pay Gap reporting has been a requirement for employers with >250 employees since 2017; Ethnicity Pay Gap reporting will be introduced shortly

EU

From June 2026 Employers will need to comply with new regulations intended to drive the principle of 'equal pay for work of equal value' across the region. These regulations include more transparency on an organisations reward strategy with more robust approaches to work levelling and pay setting/ progression in addition to further gender pay gap reporting requirements.

Ellason commentary

The emergence of Pay Transparency regulations is a global trend, which in recent years has become increasingly enshrined in local laws. However, the incoming EU regulations are the most comprehensive suite of requirements to date, covering multiple reporting and communication responsibilities for employers.

Pay transparency should now be regarded as the 'new normal' and employers need to ensure that it is firmly embedded into their reward and people strategies at national and international levels.

The variety of different requirements, even across the EU, poses a challenge that must be addressed to minimise the financial, and reputational risks of non-compliance.

International employers need to consider the development of an integrated pay transparency strategy if they are to avoid leaving compliance to chance or risk having a confusing, and perhaps conflicting, web of local ad hoc and uncoordinated responses. Instead, local requirements should be collated under a centralised policy, to ensure compliance and importantly, to also reinforce the desired corporate culture and employer brand.

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