



EU Pay Transparency

Discover what this Directive means for your organisation and how to effectively prepare for it.

EU Member States have until 7 June 2026 to transpose the Pay Transparency Directive into their national laws. The main objective of the Directive is to strengthen the application of the principle of equal pay for equal work, or work of equal value, between men and women. The Directive aims to achieve this through much greater pay transparency and enforcement mechanisms.

The equal pay gap across the EU is estimated to be over 9%¹ in favour of men. Given that equal pay for equal work has been a founding principle of the EU (as well as being a legal requirement), it is clear that the progress towards achieving this has been unacceptably slow. The EU is therefore acting in response.

The Directive will require much greater levels of pay transparency across four areas, as follows:

1. Pay Transparency for Job Seekers
2. Right to Information for Employees
3. Transparency of Pay Setting & Progression
4. Gender Pay Gap Reporting



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Equal pay for equal work or work of equal value – a fundamental principle.

The principle of “equal pay for equal work or work of equal value” is central to the Directive. In essence, all organisations must make sure that their pay structures deliver on this requirement. The last part of this principle is really important – “or work of equal value”. Jobs across very different disciplines may still be deemed to be of “equal value” to an organisation. A good example is *Enderby v Frenchay*², where the European Court of Justice ruled that significant pay gaps between different, gender-dominated disciplines – like speech therapists and pharmacists – must be objectively justified, even if set by separate pay agreements.

We cannot stress enough the importance of having a solid job architecture in place where the value of roles has been assessed against objective, gender-neutral criteria such as skills, effort, responsibility and working conditions.

There are a number of requirements under the Directive which rely upon an assessment of which roles are of equal value across an organisation:

1. Right to Information: workers have the right to request information on the average pay levels (broken down by gender) for **categories of workers performing the same work as them or work of equal value** to theirs
2. Gender Pay Gap Reporting: the pay gap between workers by **category of worker** must be disclosed to employees and their representatives.

A solid job architecture is a key building block required to deliver on both of these transparency requirements.

Unveiling transparency without appropriate preparation and analysis will expose organisations to significant risks

It is highly unlikely that any organisation intentionally uses gender as a basis for determining pay. However, we regularly come across organisations whose processes and programmes lend themselves to unconscious bias, and as a result, we believe that many organisations have unintended pay gaps.

Prior to unveiling transparency, organisations need to understand whether an equal pay gap exists in their organisation and take the necessary remedial action to address any gaps prior to full pay transparency. Not doing so exposes organisations to very substantial legal, financial and reputational risks as these pay gaps are very likely to be exposed either through individual right to information requests or through the gender pay gap reporting requirements.

In particular, if the pay gap exceeds 5% in any one category of worker, and this gap can't be objectively justified, or isn't remedied within 6 months of reporting, then the employer needs to conduct what is essentially an equal pay audit. This audit will need to be conducted by working closely with workers' representatives. Most organisations will want to avoid triggering this requirement.

¹ Source: The Journal of Economic Inequality March 2023 - De Poli, S., Maier, S. "Enforcing 'Equal Pay for Equal Work' in the EU: what would it take?". For the purpose of this presentation, we have used the population weighted measure from this paper.

² *Enderby v Frenchay Health Authority* (1993) C-127/92



Securing executive support isn't easy, but is a very important first step

Preparing for the Directive will require resourcing – likely both external and internal. It represents a significant transformation and change management effort and it is important that the executive team understands and supports the proposed plan of action.

In our experience, many HR leaders are struggling with securing this support. At a time of mounting business costs and global market uncertainty, it can be difficult to engage an executive team on a topic which may be perceived as simply adding more cost and risk to the P&L.

The Directive will land differently across organisations – for some, it's a brand opportunity; for others, a compliance obligation; and for many, a practical commercial issue to be addressed. Shaping the business case to match these perspectives is key to gaining leadership endorsement.

Waiting for transposition into national law is unlikely to be the magic wand which answers the big questions

As of the date of writing this article, several EU countries have published draft legislation to transpose the Directive, including a heads of bill published by Ireland (a partial transposition). Whilst it is helpful to understand how the Directive is likely to be implemented, the national transpositions are unlikely to answer the big implementation questions that many organisations are struggling to decipher (e.g., how do we define "category of worker").

We are fast approaching the implementation deadline for the Directive. This is not a lot of time to prepare, but with the right determination and plan, it is still possible.

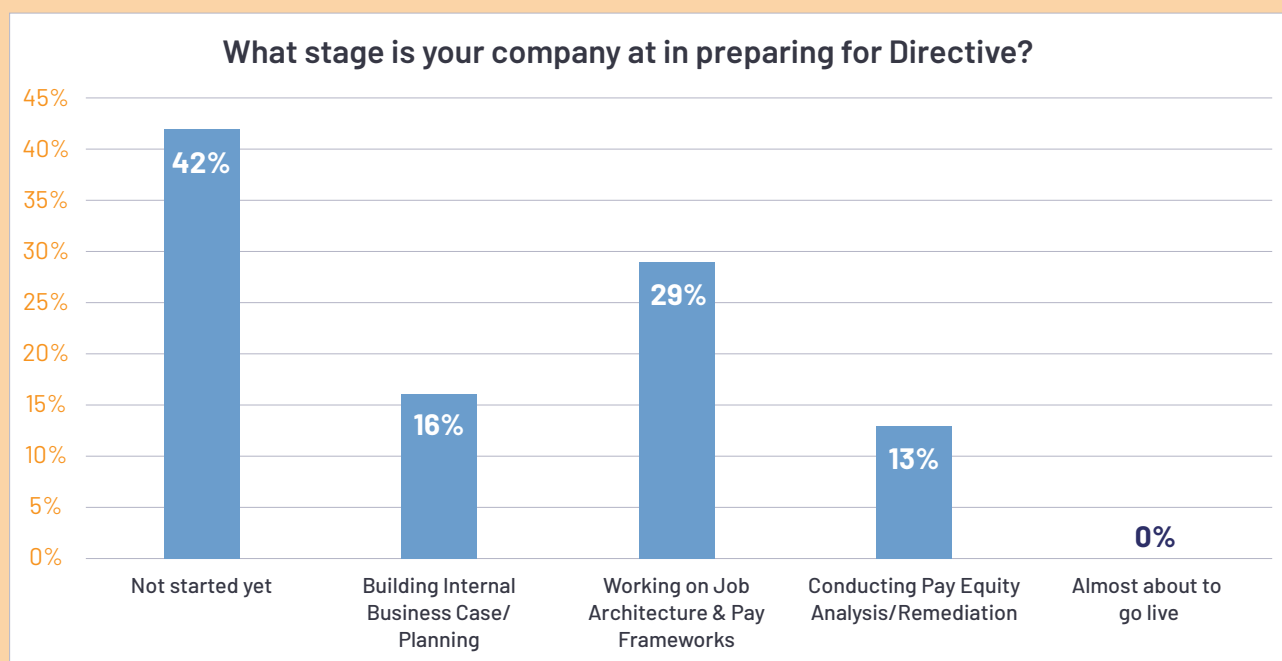
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Our suggested first steps

During the recent series of client events hosted by HRM and Citris, we asked participants where they were at in preparing for the implementation of the Directive. Almost 60% of organisations either haven't started yet, or are in the process of building the internal business case or project plan.



For organisations that have yet to take action, we would recommend the following approach:

1. Pull together a core team - not just HR, but also involve key functions such as legal and finance
2. Develop the plan - what is the organisation's ambition, and how will it be achieved?
3. Secure executive support - consider what pitch is likely to get most traction and engagement from the executive team?
4. Start with job architecture and build from there - assess what roles are of equal value - this is a fundamental building block (unless the organisation already has a well constructed job architecture).

The content of this article is for information only. It is not intended as professional advice. You should seek appropriate independent advice relevant to your organisation's situation before acting on any of the information shared in this article.

Contact arlene@hrmrecruit.com to discuss how we can support your interim or permanent recruitment needs as you navigate this dynamic environment.



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