

EU Pay Transparency Directive

On 30 March the European Parliament adopted the EU Pay Transparency Directive. This will now go through the final formalisation steps, including Council adoption and into force 20 days after publication in the EU Official Journal. EU member states will then be required to transpose the Directive into national legislation within 3 years (very likely in the course of 2026).

This landmark piece of legislation brings in sweeping measures to ensure gender equity through a series of far reaching requirements. Whilst many organisations will already monitor pay equity, the Directive takes this one step further to enforce both external and internal pay transparency.

Given the complexity of the proposed legislation and its implications, organisations should start **preparing now** to ensure a smooth transition from a legal, operational and strategic perspective.

All organisations with workers in any EU member state will be impacted by some areas of the Directive.



Greater transparency will be required in a number of critical areas

Gender pay gap reporting and equal pay

Organisations above a certain employee threshold will be required to publish gender pay gap figures externally. Where a pay gap of 5% or more is found in any category of worker and other criteria are not met, a joint pay assessment must also be completed.

Recruitment

Organisations will be required to provide information on pay (e.g. pay bandings) as part of the recruitment process (for example adding pay ranges to job adverts or sharing this information with applicants) and will no longer be able to ask candidates about current pay to determine offers.

Pay approach and philosophy

Employers with more than 50 workers must provide workers with information on what criteria are used to determine pay and pay progression

Average pay levels

Workers will have the right to request information on the average pay level of workers doing similar work to them, broken down by sex. This must be provided within 2 months of request.

While local implementation may vary, the Directive suggests that these requirements may also apply to other worker types (e.g. contractors and gig economy workers)

Key questions for impacted employers



Do you have a grading structure that will allow you to report by category of worker?



Do you currently monitor and understand your pay equity risks across the EU?



Do you have and are you ready to share pay ranges and approaches?



Are your systems and data able to report in line with the requirements?

Navigating your response - preparing for pay transparency

For some companies the impact of the EU Pay Transparency Directive will be significant, potentially leading to the widespread transformation of critical people policies and activities. Successful change (including to impacted systems and processes) is therefore a multi-year programme.

Given this, the first step is for organisations to identify their biggest risks and opportunities, and prioritise activities. This will allow for the development of an effective change plan that will ensure readiness for the upcoming legislation and wider transparency requirements that may impact.

PwC's approach to helping you to prepare for the EU Pay Transparency Directive



1. Understand the impact

Identify key stakeholders and gain a high level understanding of key risks and opportunities for your organisation. Provide an initial briefing to identified stakeholders on the Directive and its implications for your organisation.



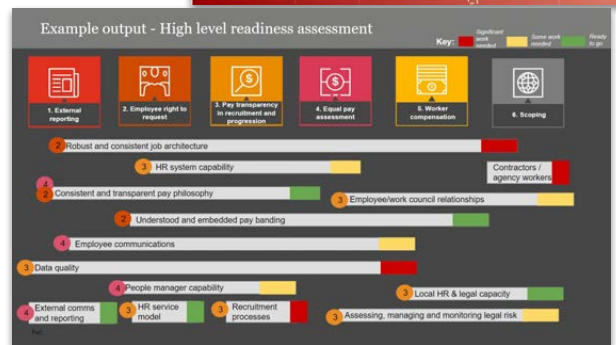
2. Assess organisational readiness

Deep dive into the key risks and opportunities identified in stage 1 through interviews and document reviews. Complete a readiness assessment to prioritise activities with stakeholders.



3. Develop implementation plan

Develop a high level implementation plan to embed change based on agreed priorities, risks and opportunities.



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