

The EU Pay Transparency Directive

The EU Pay Transparency Directive has been published on the 17th of March 2023 in the Official Journal of the European Union. EU member states will then have until 7 June 2026 to incorporate the directive's provisions into their respective national laws.

1) Scope of the Directive

The objective of the Pay Transparency Directive is to guarantee the preservation of the right to equal pay throughout the European Union. It achieves this by setting standards for pay transparency, empowering workers to assert their entitlement to equal pay.

The scope of the Directive encompasses both public and private sector employers.

It applies not only to job applicants but also to all workers who have an employment contract or employment relationship as determined by law, customary practice, or legal precedents.

2) Key measures

The directive incorporates several measures aimed at:

- Enhancing pay transparency, including prior to employment. Employers with over 50 workers are required to inform their employees about the criteria used to determine pay levels and progression.
- Ensuring employers establish pay structures that guarantee equal pay for work that is equal or of equal value.
- Empowering victims of discrimination to exercise their right to equal pay and seek full compensation, without any upper limit.

Additionally, employers with more than 100 employees are subject to a reporting obligation concerning different aspects of the gender pay gap. The reporting requirements vary based on the number of employees:

- For employers with 250 or more employees, the initial reporting obligation begins on 7 June 2027, and subsequent reports must be submitted annually.
- Employers with 150 to 249 workers have their first reporting obligation on 7 June 2027, followed by reporting every three years.
- Starting from 7 June 2031, employers with more than 100 employees are required to report on the gender pay gap every three years thereafter.

3) What will be the impact?

The implementation of this directive will significantly impact the reward policies within companies, as evident from the following changes:

- **Employers are now required to disclose the initial wage level or pay scale in job announcements or prior to interviews.** Additionally, they are prohibited from inquiring about a candidate's pay history.
- Employees possess the right to request information about their individual salary level, as well as the average salary level disaggregated by gender, for employees in the same job category or performing work of equal value. This right applies to employees across companies of all sizes.

- Companies with over 250 employees must annually report on the gender pay gap, while companies with over 100 employees should report every three years.
- In cases where the gender pay gap exceeds 5%, companies must conduct a joint pay gap assessment in collaboration with employee representatives.

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