EU Pay Equity and Transparency

AT A GLANCE

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As the June 2026 implementation deadline approaches, member states are rushing to propose and finalize national implementing legislation – or suggesting delays in roll-out. Littler's Implementation Tracker is a tool that monitors progress and changes to the law. Access to the Tracker is complimentary and provides a basic overview of the status and accompanying obligations being introduced by the member states.

The concept of pay equity – that employers must pay men and women equally for work of equal value – will not be new to many employers, both within a global legal compliance framework and as a central part of an effective environmental, social and governance (ESG) framework. Nonetheless, a lack of transparency in pay systems and complex procedural barriers have been perceived as obstacles to achieving pay equity.

In June 2023, the EU introduced binding and significant measures regarding pay equity, pay transparency, and reporting via the EU Pay Transparency Directive. EU countries have until June 7, 2026 to take action to put the Directive's requirements into local laws. On the assumption an applicable member state meets the deadline, an employer's obligations may be assessed using data from before this deadline (see Key Obligations below). The Directive introduces a host of new obligations beyond broad pay reporting requirements, which will intersect with all aspects of an employer's recruitment and people processes, including remuneration, pay structures, and job frameworks.

Although the Directive only sets out minimum levels of compliance, with detailed implementation being left to the different EU countries, there are broad principles that will span all countries to which employers will need to adhere. With the deadline of June 7, 2026 fast approaching and a patchwork of implementing laws moving through the legislative process, employers need to be actively engaged in preparing to comply.

"The concept of work of equal value hasn't been a focus in the EU as it has been in the UK. That is set to change as the Pay Transparency Directive will put this concept center stage with potential for an increase in equal pay litigation as a result. Now is the time for employers to assess their risks before it's all out in the open."

Nicola James, **Partner**
United Kingdom

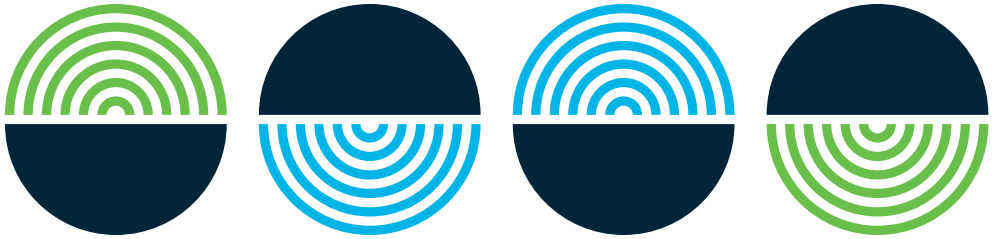
WHAT ARE THE KEY CONCEPTS?

The key concepts highlighted below are subject to local implementation that may adopt and/or expand these concepts.

Workers	The Directive applies to all "workers" who have an employment contract or employment relationship. The preamble to the Directive says "workers" should include fixed-term workers, and agency workers as well as workers in management positions. In addition, other atypical workers such as domestic workers, on-demand workers, intermittent workers, platform workers, trainees and apprentices may also be within the scope. Certain provisions regarding transparency during recruitment will apply to applicants for employment.
Pay	The definition of pay is wide and includes basic wage, salary and other direct or indirect consideration from an employer, which can also be non-monetary or ancillary or variable pay (e.g., bonus, overtime pay, allowances, etc.)
Gender pay gap	This concept is a fundamental pillar of the Directive and requires the calculation of the difference in the average pay levels of female and male workers expressed as a percentage of the average pay level of male workers.
Work of equal value	Employers need to appreciate the challenging exercise of considering whether two workers in ostensibly different jobs are carrying out "work of equal value." Equal value assessments are a key issue, and the Directive envisions employers' assessing equal value on the basis of objective, gender-neutral criteria as agreed to with workers' representatives (where they exist) such as skills, effort, responsibility and working conditions. To assist employers, EU countries are required to make available analytical tools or methodologies. However, this assessment is still likely to be a highly complex and time-consuming task.

"As many Irish employers are not unionized, we anticipate that the Directive's requirements with regards to pay audits and consultation with an employee representative will be a novel challenge for Irish employers."

Niall Pelly, **Office Managing Shareholder Ireland**



WHAT ARE THE KEY OBLIGATIONS?

Local implementing legislation may expand reporting thresholds, adjust deadlines, and add clarification.

Mandatory gender pay gap reporting	• The size of the employer dictates when and how regularly reporting is required. • Employers with: – 250 workers or more must report by June 7, 2027 and every year thereafter – 150 to 249 workers must report by June 7, 2027 and every 3 years thereafter – 100 to 149 workers must report by June 7, 2031 and every 3 years thereafter – employers must report on data relating to the previous calendar year. Employers with fewer than 100 workers are not required to report, but are not prevented from doing so. EU countries can choose to put in place lower pay reporting thresholds (as is currently the case in some countries). • **Some member states are already anticipating postponing these dates, so employers need to be aware of local developments.** • Employers must report information on their gender pay gap by categories of workers performing the same work or work of equal value. Employers must provide such reports to relevant public authorities, workers, and workers' representatives. • **In member states that do not delay implementation, employers with 150 or more workers with pay gaps that are unresolved by January 1, 2026 may have these gaps publicized in the organization's first mandatory report.**
Obligations to investigate and remedy gender pay gaps	• Covered employers will also be required to undertake a joint pay assessment (essentially an audit) to identify, remedy and prevent differences in pay, where: – the pay gap report identifies a difference in average pay levels (i.e., gross annual and corresponding gross hourly pay) of at least 5% for any category of workers doing the same work or work of equal value; – the employer has not justified such difference on the basis of objective gender-neutral criteria; and – the difference is not remedied within 6 months of the submission of the report. • Importantly, joint pay assessments cannot be carried out "behind the scenes." They must be conducted in cooperation with workers' representatives and be made available to workers, their representatives and the applicable local law-monitoring body. The local labour inspectorate and equality body for that country will also have a right to receive the joint pay assessment upon request. • If the joint pay assessment identifies an unjustified difference in pay, this must be remedied within a reasonable period of time in close cooperation with the workers' representatives and in accordance with national laws/practices.

New pay transparency rights for workers	• Employers must make the criteria (which must be objective and gender-neutral) used to set workers' pay, pay levels and pay progression easily accessible. However, EU countries are permitted, if they choose, to exempt employers with fewer than 50 workers from making such pay progression criteria accessible to workers. • Workers will have new rights to request and receive information about their pay and the average pay levels broken down by sex for workers doing the same work or work of equal value. Employers must remind workers annually of this right and provide the information within a reasonable time period (and no later than two months after the request). • Employers must not prevent workers from disclosing their pay to enforce their right to equal pay, which includes prohibiting contractual terms that restrict workers from disclosing pay information (such as confidentiality clauses).
New pay transparency rights and obligations for applicants during hiring	• Employers must provide applicants with information about pay or pay ranges in a manner to ensure a transparent and informed negotiation on pay prior to the job interview or otherwise. • Employers must not ask applicants about their pay history. • Job vacancy notices and job titles must be gender-neutral and recruitment processes led in a non-discriminatory manner.

"Many employers struggle to comply with current French gender pay gap reporting requirements, so there is no time to lose when getting one's compliance in order."

Laura Jousselin, **Partner**
France

WHAT ARE THE PENALTIES IF EMPLOYERS GET THIS WRONG?

This is for individual EU countries to set. However, the Directive requires each country to ensure minimum enforcement mechanisms are available, including the right for workers to bring individual claims, with uncapped compensatory remedies (e.g., recovery of back pay and bonuses), non-victimization provisions, the power for courts or other competent authorities to issue orders for compliance or to stop infringement, and national penalties.

By way of example, in Spain, the national law is already fairly aligned with the Directive. In 2024, the Labour Inspectorate initiated 11,576 actions related to equality issues, including those concerning pay equality. There was a particularly significant increase in inspections targeting gender-based pay discrimination, which rose by 28.26%, from 906 in 2023 to 1,162 in 2024. Specifically, in relation to gender-based pay discrimination, the Inspectorate carried out 1,162 inspections, issued 120 compliance orders, and drew up 16 sanctioning reports. In total, 740 employees were affected by these infringements, and the fines imposed amounted to €197,760. Sanctions have also been issued by the courts. For example, an employer was fined €91,000 for a pay gap of up to 77.8%, lack of a pay register, and a missing equality plan. In another instance, a court ruled that an employer must pay €13,000 in compensation to a female employee who was underpaid in comparison to a male counterpart occupying the same role.

"Employee representatives are actively watching how Denmark will implement the Directive as it may ease their ability to bring pay equity claims on behalf of employees who have the burden of proof to show work of equal value."

Christian Bonne Rasmussen, **Partner**
Denmark

WHAT SHOULD EMPLOYERS DO TO PREPARE?

Given the timeframes, it is important to consider the Directive's impacts now, if employers have not started to do so. It is not too late to start preparing and there are meaningful steps to take. Remember, member state implementation measures, the size and categorization of the workforce, payroll cycles, and other elements will heavily influence the phasing and details of any compliance readiness project.

Employers can prepare by:

1. **Making this a C-Suite issue**
   HR and legal functions need to raise the topic and make their C-Suite aware of the potential legal, operational and reputational risk of the new obligations, particularly with respect to gender pay reporting, joint pay assessments, and the new information and transparency obligations. This issue should be flagged as a priority.
2. **Building the right team**
   Employers should consider including stakeholders from areas such as:
   - Human Resources
   - Payroll
   - Compensation and benefits
   - Legal
   - Data analytics

   A range of key stakeholders will need to be involved from the outset as the implications will cross multiple operational functions.
3. **Develop a detailed project plan**
   Compliance is complex and requires both legal and statistical support. A project plan will track progress across all work flows and locations. As the project progresses, you can integrate plans to remedy any identified pay gaps or gaps in policies and practices.

Littler's eighth annual European Employer Survey Report 2025 indicates that just 24% of respondents feel "very prepared" to comply with the EU Pay Transparency Directive, only a 3% increase from 2024. There was minimal change among respondents who say they're moderately prepared (34%) and those that are not prepared at all (11%).

4. **Gathering data**

To prepare for implementation, employers will need to understand their current position on the basis of existing data. Employers should not underestimate how long this information-gathering stage can take.

For example, employers should gather data on:

- Worker headcount across the EU and in each country to determine whether the gender pay gap reporting obligations and joint pay assessment rules will apply and if so, from when.
- The criteria currently used to set workers' pay, pay levels and pay progression.
- The "pay" for their workers. Remember, pay is defined broadly and is not just limited to salary but also includes benefits and other consideration that are directly or indirectly received.
- The type of work each worker is doing and how workers are (and should be) grouped in their organization. Employers should consider any grades/bandings that are in place and how these are used across the organization. Remember that employers will have to provide information on and potentially report on the different "categories of workers" doing the same work or work of equal value.

"Currently, reporting obligations in Germany are very limited. For the Directive, employers will need to be prepared to compile significantly more complex information and data."

Lioba Lamers, Partner
Germany

5. **Conducting an internal audit**

   Conducting a trial run on current data will help employers identify their risk areas and mitigate them before the need to publicly report. Take the opportunity to consider the justification behind any identified pay gaps to determine if a remedy is needed. Even if the organization will not be required to undertake pay gap reporting or a joint pay assessment, workers and their representatives still have a right of access to this information, which will lead to increased scrutiny and employee relations pressures or even additional equal pay claims. Conducting an audit can help deter some of these issues now.

   Including lawyers when completing this initial assessment is advisable so that legal privilege can be asserted (so far as possible) over the findings, which means the results are not disclosable. As part of the practice run, employers should consider how best to set and then document the organization's job frameworks, including, but not limited to: pay philosophy, pay structures, progression criteria and job descriptions to the extent this has not already been done. Having this prepared and considered now will help employers prepare for the information and reporting obligations both in terms of content and ongoing resourcing required to manage such requests for information.

6. **Reviewing recruitment processes and hiring practices**

   In addition to the pay reporting, joint pay assessments and information rights, employers will also need to prepare for the other transparency obligations. Employers should:

   - Check their worker contracts and associated agreements.
   - Review and amend existing recruitment documents, policies and practices to incorporate new obligations and rights.

"We anticipate that the Spanish government will continue to require many employers to continue to submit gender equity plans and to provide salary transparency. Thus, we strongly recommend that employers review their pay policies because they will have to explain it to employees and unions. However, with the Directive, Employers will need to be prepared to intensify their efforts to reduce any gap to below 5%, a threshold that will be new to Spanish employers, introduced by the Directive to eradicate wage discrimination."

Patricia Madrona García, **Senior Associate**
Spain

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HOW LITTLER CAN HELP

Littler brings deep global, yet local understanding and vital insight to the implementation of the EU Directive. In conjunction with Littler's team of data analysts, our attorneys are poised to support employers navigate the challenges of this new Directive by conducting pay audits, identifying gaps and advising on solutions, designing pay policies and practices, providing training, and supporting job evaluation reviews. Littler is local, everywhere; to find a country-specific attorney or for additional resources, please visit Littler's EU Pay Transparency Directive information page.

This information provided by Littler is not a substitute for experienced legal counsel and does not provide legal advice or attempt to address the numerous factual issues that inevitably arise in any employment-related dispute. Although this information attempts to cover some major recent developments, it is not all-inclusive, and the current status of any decision or principle of law should be verified by counsel.

At Littler, we understand that workplace issues can't wait. With access to more than 1,900 employment attorneys in over 100 offices around the world, our clients don't have to. We aim to go beyond best practices, creating solutions that help clients navigate a complex business world. What's distinct about our approach? With deep experience and resources that are local, everywhere, we are fully focused on your business. With a diverse team of the brightest minds, we foster a culture that celebrates original thinking. And with powerful proprietary technology, we disrupt the status quo – delivering groundbreaking innovation that prepares employers not just for what's happening today, but for what's likely to happen tomorrow. Since 1942, our firm has harnessed these strengths to offer fresh perspectives on each matter we advise, litigate, mediate, and negotiate. Because at Littler, we're fueled by ingenuity and inspired by you.

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