

# **EU Directive Pay Transparency**



MAJOR CHANGES IN WAGE TRANSPARENCY LEGISLATION ARE ABOUT TO BE IMPLEMENTED AND WILL DIRECTLY IMPACT COMPANIES ACROSS THE EUROPEAN UNION.

The EU Pay Transparency Directive on wage transparency is in the implementation phase and requires organizations to disclose job and salary structures, create pay gap reports, and take action to ensure fair remuneration. Since all EU member states must incorporate the directive into their national legislation by 2026, companies with more than 100 employees (both public and private organizations) will be required to report pay gap data.



### WHY PAY TRANSPARENCY IS IMPORTANT

Despite existing regulations, significant gender pay gaps persist in the European labor market. On average, women earn 13% less per hour than men, and even for the same work, men receive 6% more than their female colleagues. Although this inequality is slowly decreasing, progress remains slow, and many employees still lack sufficient insight into how salaries are determined within their organization.

Because of these pay inequalities, the EU introduced the EU Pay Transparency Directive. This directive is designed to accelerate progress towards fair remuneration through greater transparency and accountability. By requiring organizations to disclose salary structures and justify wage differences, the directive aims to eliminate unjustified pay gaps and create a fairer work environment.

# THE BENEFITS OF EQUAL PAY FOR EQUAL WORK

While compliance with this directive is important, it's also important to recognize that prioritizing pay transparency brings numerous additional benefits beyond legal requirements:

1

# ATTRACTING AND RETAINING TALENT

Transparent pay practices ensure fair compensation, making it easier to attract diverse, highly skilled talent and retain top performers.

2

# ENHANCING REPUTATION AND THE COMPETITIVE EDGE

A commitment to equal pay boosts your company's reputation, attracting customers, investors, and partners who value equity and social responsibility.

3

# **BOOSTING WORK CULTURE AND PERFORMANCE**

When employees feel they are paid fairly, it enhances their satisfaction and motivation, leading to improved productivity and a stronger, more positive work environment.



# WHAT THE EU DIRECTIVE MEANS FOR EMPLOYERS

The directive introduces a series of mandatory measures that will have a significant impact on how organizations manage and report their compensation policies. Companies must define salary structures underpinned by a job framework and provide transparency on pay scales and the criteria for salary growth, both before and during employment. Additionally, they are required to ensure equal pay for equal work by establishing a fair salary distribution.

Employees will have the right to request salary information for similar roles within the company to check if they are being paid fairly. This can be quite challenging. Salary levels are related to many factors such as individual performance, years of relevant working experience, knowledge gained and role scarcity. If an employee's salary is lower than the average salary of colleagues in the same job grade, this does not necessarily mean that the salary is too low or that the employee is treated unfairly. A salary comparison like this will require a clear explanation to avoid drawing incorrect conclusions.

If a pay gap of 5% or more is found within specific job categories, companies must conduct a wage assessment and create an action plan to address this inequality. Furthermore, the burden of proof regarding suspected wage inequality lies with the employer, meaning organizations must actively demonstrate compliance with pay equity rules.

In addition to these obligations, companies with more than 100 employees will need to submit periodic pay gap reports.

Company Size	Reporting Frequency	First Report Due
250+ employees	Annually	Juni 2027
150 - 249 employees	Every 3 years	June 2027
100 - 149 employees	Every 3 years	June 2031

Figure 1: periodic pay reports

Non-compliance with these obligations can lead to fines, legal consequences, and reputational damage.



# **CSDR**

Alongside the EU Pay Transparency Directive, the EU Corporate Sustainability Reporting Directive (CSRD) came into effect in 2024, further emphasizing the need for transparency around equal pay. The CSRD requires companies to disclose pay gap information and other data as part of their sustainability efforts. This includes transparency in areas like equal pay for equal work and gender diversity within organizations. By mandating disclosures on gender pay gaps and equal opportunities for all, the CSRD pushes businesses to actively address disparities, ensuring that compensation structures are fair and inclusive. The CSRD applies to all large companies in the EU, defined as those with over 250 employees, a net turnover of over €40 million, or more than €20 million in total assets.



## WHY ORGANIZATIONS MUST ACT NOW

Although 2027 may seem far off, preparing to comply with the new legislation is not a quick or simple process. Collecting salary data, analyzing compensation structures, and addressing pay gap issues takes time and strategic planning. Furthermore, not every company may have a job framework or salary policy in place yet. Designing a reward policy can require a significant time investment, also considering the approval process with the Works Council. Companies that delay risk compliance issues and negative publicity when reporting becomes mandatory.

By starting now, organizations can:

- Make necessary improvements in the job framework and reward policy
- Gain insights into compensation practices and address pay gap issues in a timely manner before they become public.
- Report more positive figures after addressing certain issues, instead of having to justify negative data.
- Demonstrate that they take fair pay and transparency seriously, which boosts employee trust and strengthens the employer brand.
- Position themselves as leaders in pay equality, helping to attract and retain talent.

Highberg advises companies not to wait until the directive is fully implemented. Organizations that take action now can proactively implement measures to ensure fair pay. By doing so, they maintain more control over their narrative towards employees and the outside world.







# (RE)DESIGN REWARD POLICY

Some organizations may not have a reward policy yet, or perhaps the reward policy does not yet meet the criteria prescribed by the EU Pay Transparency Directive. It could also be that the policies are already in place, but require adjustment in order to realign with the current company strategy or company size. Those companies still have some work to do before providing transparency on the reward system next year.

Highberg has years of experience in supporting organizations in developing reward systems, from design until implementation. Think of a future proof job framework, salary scales, salary increase table and perhaps a variable pay policy.

Considering the steps involved in changing remuneration, such as the consent process with the Works Council, we advise companies to use this momentum to start with the preparations.

# GET INSIGHT INTO THE PAY GAPS WITHIN YOUR ORGANIZATION IN 5 MINUTES WITH HIGHBERG'S SAAS SOLUTION

To help companies comply with the EU wage transparency directive, Highberg offers an innovative solution that quickly and easily provides insight into pay gaps and salary structures. This enables organizations to take immediate action and ensure equal pay for equal work while staying compliant with the legislation.



# WHY CHOOSE THIS SOLUTION?

# QUICK INSIGHT AND IMMEDIATE ACTION:

This solution provides detailed insights into the pay gap within five minutes, allowing you to quickly respond and take measures to ensure equal pay for equal work. It enables immediate compliance with the EU wage transparency directive without lengthy and costly processes.

# **DETAILED AND REPEATABLE ANALYSIS:**

You not only gain insight into the overall pay gap but also by subgroup, such as departments, job groups, or locations. This makes it easy to monitor the pay gap on a structural basis, e.g., monthly or quarterly, so you can continuously improve and adjust where necessary.

# **COMPLIANCE AND REPUTATION IN ONE:**

With this solution, you not only meet the legal requirements of the EU wage transparency directive and the CSRD but also show that your organization is committed to equal pay and transparency. This strengthens your employer brand and increases trust among both existing employees and potential new hires.

# **HOW DOES THE HIGHBERG SAAS SOLUTION WORK?**

The process consists of three simple steps:



# **UPLOAD YOUR DATA:**

Quickly and easily upload your salary data in various file formats.



# **AUTOMATIC QUALITY CHECK:**

Our AI tool analyzes the data, detects inconsistencies such as missing values or unexplained pay gaps, and flags them.



# **GET A REPORT INSTANTLY**

Within minutes, you'll receive a detailed pay gap analysis, including interactive dashboards and actionable recommendations.



