

## The EU Pay Transparency Directive: what have we learned from existing global legislation?

Employees want equity and clarity on pay, so do investors and board members. Today, rather than a nice-to-have, policies to reduce gender disparity are essential for large businesses and increased regulation is helping to drive this change.

The EU Pay Transparency Directive (“the Directive”) is part of a global trend in greater pay transparency, with the aim of bolstering equal pay laws and reducing the gender pay gap. As well as introducing gender pay gap reporting across Europe for the first time, it places obligations on employers to be transparent with workers and candidates about pay and pay progression. It also introduces a ban on pay secrecy clauses, and prevents employers from asking candidates about their remuneration history.

While the Directive impacts organisations with employees in an EU Member State, business leaders based solely in the UK – or elsewhere across the globe – will need to keep an eye on these rules too. The new UK government has proposed a number of changes to existing laws on pay gap reporting and protections around equal pay. Meanwhile, globally, organisations are using measures in the Directive as a catalyst for reviewing their ambition in this area. Such steps have the potential to build employee trust and change cultures for the better, making organisations more competitive when it comes to attracting top talent.

After the rollout of other pay gap reporting and pay transparency laws globally, including in the UK, the US, Brazil and Australia, what lessons can EU employers learn from these countries?



EU Member States have until June 2026 to implement the Directive

### The global direction of travel

Quite rightly, all things ESG have moved up the corporate agenda with two thirds of investors taking these issues into consideration when financing a company, according to the CBI. Now, transparency, diversity and equity are the foundations of a successful and purpose-driven organisation.

Leading multinationals are adopting the Directive’s rules globally for several reasons:

- Global adoption of the Directive’s gold standard requirements ensures consistency and simplicity rather than a country-by-country approach.
- Countries not caught by the Directive may need to compete with overseas organisations, for example near neighbours in the EU, particularly for senior talent.
- To bring consistency for internationally mobile employees across the organisation.
- To get ahead of legislation they predict will land in the future.




By far the most wide-reaching set of obligations for employers, the EU Pay Transparency Directive sets the global benchmark for best practice.



The Directive complements the EU’s new Corporate Sustainability Reporting Directive. Among other reporting obligations, it requires companies to disclose the percentage gap in pay between men and women, as well as the ratio between its highest paid individuals and the average.


## So what is the current state of play across the globe?

**UK**




Gender pay gap reporting for businesses with 250+ employees, including mean and median hourly pay and bonus, plus the number of men and women receiving a bonus. The new government has proposed to extend the law to include ethnicity and disability pay gap reporting.

**USA**




Certain states including New York have implemented obligations to publish pay bands on job adverts, a ban on asking about salary history (New York) and gender pay reporting (California).

**Canada**



Pay gap reporting applies to federally regulated private-sector employers with 100+ employees. These organisations are required to submit an annual statement of pay equity plans to the Pay Equity Commissioner. States have their own laws including gender pay gap reporting (Ontario) and pay equity audits (Quebec).

**Brazil**



From 2024, private legal entities with 100+ employees are required to:

- Guarantee equal salary and compensation criteria for women and men exercising the same position and carrying out work of equal value.
- Report salary differences between men and women in management and leadership positions.

**Australia**



Companies with 100+ employees must report their annual gender pay gap to the Workplace Gender Equality Agency (WGEA) and this has been in place since 2012. In 2024, the WGEA began publicly publishing each company's gender pay gap on its website. Prohibition of pay secrecy clauses has existed since 2023.

**Japan**



Gender pay gap reporting for organisations with 300+ employees.

We talked to some of our colleagues about their experience with transparency obligations in different locations and how lessons learned can be applied to the Directive. Here's what we heard:

### Case study: What has US pay band transparency taught us?

In certain US states, including New York (which employs over four million people), there's a requirement to post salary ranges when advertising jobs. The legislation in New York went into effect during a time of extreme competitiveness and a highly favourable candidate market, which led to fears that transparency would further exacerbate salary inflation. Once implemented, we saw employers across different industries use very wide ranges on job postings, which made it challenging for candidates to understand the actual salary expectations for the role.

It's hard to say whether those ranges led to cost inflation, given the demand that already existed in the market and their broad nature, but there are clear lessons that can be applied when preparing for the Directive.

One particularly important distinction between US legislations and the Directive is that the EU rules do not specify what an appropriate range is, or how it should be made transparent. The definition of 'pay' is also much broader; under New York legislation only base pay needs to be disclosed. It seems unlikely greater clarity will be provided by Member States implementing legislation. However, our main lessons would be:

- **Train key stakeholders**

Transparency can be a great tool for employers in both external negotiations and when managing internal expectations. However, key stakeholders need to be trained to navigate pay discussions in a world of greater transparency. It's human nature for candidates and internal colleagues to expect or ask for the top end of a salary band, and companies will need the expertise to manage those tricky

conversations. Training shouldn't stop at HR; key decision-makers and managers on the front line of pay discussions need to know about employee rights, company processes and how to navigate difficult conversations with employees.

- **Start preparations early**

In New York, the prohibition on asking for previous remuneration was implemented first, followed by the requirement to post salary bands a few years later. This staggered approach was welcomed by some companies as it avoided a lot of change in one go. As all transparency rules go live in the EU from June 2026, companies should consider whether they would benefit from introducing some aspects early.

- **Take a sustainable approach**

US transparency taught us that the connection between your job architecture and remuneration framework is key and the way in which those HR tools work together should be sustainable. Salary bands and career progression should be set so they can adapt to market changes and internal demand, while still considering implications on gender equality. The key is to develop a suitable approach to your job architecture that balances compliance and the company's desired flexibility.



Deloitte's experience of reporting the gender pay gap in the UK and Ireland has taught us that communication is key, internally and externally.



## Case study: Lessons from UK reporting

Currently, UK organisations with 250 or more employees must report gender pay gap metrics annually, including the mean and median hourly pay gap and bonus pay gap.

However, there is criticism about the lack of meaning behind the reporting, as it's based on unadjusted, average data across the whole organisation and therefore doesn't encourage employees to 'go deeper' and consider whether there are equal pay issues – it just stops at representation. Most often, a high pay gap is caused by a lack of women in senior roles, rather than an equal pay issue.

While the UK methodology doesn't paint the whole picture, the Directive goes much further. It requires employers to publish their gender pay gap for each category of worker performing the same job (or work of equal value). Employers also have to consider whether they can justify their gap within a cohort on the basis of objective and gender-neutral criteria. If an employer can't, and it does not remedy the gap, the employer will be required to undertake a 'joint pay assessment' – in effect, an equal pay audit – with worker representatives. This will provide much more meaningful data for anyone wanting to bring an equal pay claim.

- **Communication is key**

The EU has tried to prevent 'crude' reporting by requiring businesses to break down pay gaps by job category or value. However, statistics never tell the full story and businesses need to be prepared to explain them.

Understanding why there could be disparity, educating managers on the reasons and sharing this with employees, unions, investors, the media and the public, in layperson's terms, is crucial.

- **Prepare to harness your data**

Extracting the data can be difficult too. Businesses need to start looking at their payroll and HR systems to work out how to collate and consolidate information from different EU Member States, with as little human intervention as possible. Using technology can drive efficiencies and reduce the risk of error.

- **Ownership and governance**

It's worth designating senior coordination as cross-functional collaboration is required. And logging these decisions is vital, so everyone involved has access to a single, central source of information.



It shouldn't be underestimated how long it takes to implement transparency, so it must go on the executive agenda as soon as possible so there's enough time to identify shortfalls, as well as opportunities, and agree the right timeline.



## Lessons learned from Australia

---

For companies with over 100 employees, mandatory annual gender pay gap reporting to the Workplace Gender Equality Agency (WGEA) has been in place since 2012. However, amendments were made to the legislation in 2023 recognising that further action is needed. In 2024, the WGEA started publishing the gender pay gaps of each relevant private sector reporting company on its website.

Reporting requirements include base salary and total remuneration median gender pay gaps, gender composition per pay quartile and a summary of employer policies, actions and consultations. There's also the opportunity for each company to provide a written statement on the results of their reporting.

Further enhancements are planned that will widen the scope to cover public sector

organisations and corporate subsidiaries, and require more detailed analysis including, for example, average pay gaps. CEO roles will also be factored into data sets published by the WGEA.

Recognising this is a complex issue and there's no silver bullet, it's worth noting that Australia's suite of amendments also introduces behaviour change through legislation to stop pay secrecy. Since June 2023:

- Employees have had the right to discuss their remuneration and the terms and conditions that are reasonable in determining remuneration. They can also ask other employees the same.
- Employers are prevented from including secrecy terms in written agreements and face significant fines for contraventions.

## What's next in Europe?

---

Sweden is the first EU Member State to publish its proposals for implementing the Directive and has been quite reserved, not requiring employers to include pay bands on job adverts, for example. It has also declined to provide further guidance on the concept of 'work of equal value' or the methodology companies should use to justify any pay gaps. It's an interesting precedent that other Member States may consider.

Sweden will combine the Directive's reporting requirements into its existing laws and structures. Again, other Member States are likely to do the same. Other than the public sector in Belgium, we're yet to hear from other Member State

legislatures, but we understand Germany and Spain are aiming to set out their proposals imminently.

Organisations that act now will be the best prepared – it's worth bearing in mind that although reporting doesn't commence until 2027, employers will be reporting on 2026 data. It's worth 'looking under the bonnet' now to assess your data, ensure your job architecture is fit for purpose, understand any potential challenges and allow yourself time to remediate reward policies and processes before reporting kicks in.

Depending on an organisation's maturity and readiness, these steps could take significant time and commitment.



While it's too early to understand the impact of recent changes, it's hoped the increased transparency will elevate the WGEA reporting so it becomes a true driver of positive change and not the opportunity to name and shame individual organisations, as many surely feared.



## Get in touch

If you need support with your pay gap reporting, or if you would like to know what the EU Pay Transparency Directive means for you, contact our experts.



**Deepinder Lamba (Reward)**

dlamba@deloitte.co.uk



**Kathryn Dooks (Legal)**

kdooks@deloitte.co.uk

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please click [here](#) to learn more about our global network of member firms.

Deloitte Legal means the legal practices of Deloitte Touche Tohmatsu Limited member firms or their affiliates that provide legal services. In the UK, Deloitte Legal covers both legal advisory (authorised and regulated by the Solicitors Regulation Authority (SRA) (licence number: 646135)) and non-SRA regulated legal consulting services.

For legal, regulatory and other reasons not all member firms provide legal services.

© 2024 Deloitte LLP. All rights reserved.

Designed by CoRe Creative Services. RITM1941809