

The EU Pay Transparency Directive: What It Means For Employers Ahead of 2026

10 December 2025

The EU Pay Transparency Directive¹ introduces new binding rules on EU companies to make their pay practices more transparent and to enforce the principle of equal pay for equal work, or work of equal value. It builds on data that in 2023 women in the EU earned on average 12% less than their male counterparts—a gap that has remained largely unchanged for a decade and contributes to a 30% pension pay gap and greater risk of poverty for women. All EU employers are in scope, though some obligations depend on employer size. EU companies will be required to report on their gender pay gaps on a phased timeline and take action if their gender pay gap exceeds 5%. Non-compliance can lead to significant legal, financial and operational consequences.

With the 7 June 2026 deadline for transposition approaching, Member States are circulating draft laws and guidance that will define practical compliance rules. This client update summarizes the principal obligations under the Pay Transparency Directive and highlights key timelines, governance, and data and reporting considerations relevant to compliance planning ahead of 2026.

Who Is Covered

The Directive applies to all employers in the public and private sectors. It applies to all workers with an employment contract or relationship under national law, collective agreements and/or practice, including part-time, fixed term and agency workers, as well as trainees and apprentices where they meet the criteria for an employment relationship. Individuals applying for employment are covered by the pre-employment transparency measures described below.

¹ Directive (EU) 2023/970 of the European Parliament and the Council of 10 May 2023 to strengthen the application of the principle of equal pay for equal work of equal value between men and women through pay transparency and enforcement mechanisms (Text with EEA relevance), OJ L 132, 17.5.2023, p. 21-44.

What Changes for Employers

The Directive requires employers to implement a coherent set of measures across recruitment, pay-setting, employee communications, data reporting and remediation.

- **Pre-employment transparency.** Employers must disclose the starting pay or pay range for a role, based on objective and gender-neutral criteria. They must not ask candidates for their salary history. Job titles and vacancy notices must be gender-neutral and recruitment processes non-discriminatory.
- **Transparent pay structures and progression.** Employers must ensure equal pay for equal work or work of equal value. Companies must put in place pay structures which allow the assessment of whether workers are in a comparable situation in relation to pay and pay progression, by evaluating work using objective and gender-neutral criteria—agreed with workers’ representatives where they exist—including skills, effort, responsibility and working conditions, as well as any other relevant job-specific factors. These criteria must be applied consistently and without direct or indirect sex-based discrimination, ensuring that relevant soft skills are not undervalued. Where used, job evaluation or classification systems must be gender neutral.
- **Workers’ information rights.** Employers must make easily accessible to their workers the criteria for pay and pay progression. Workers have the right to request in writing information on their own pay level and average pay levels (by sex) for the category of workers performing the same work or work of equal value. Employers must inform workers annually of this right and explain how to exercise it. Employers must respond to workers’ requests within a reasonable period, and in any event within two months. Contractual “pay secrecy” terms that restrict workers from disclosing their pay will be prohibited.
- **Gender pay gap reporting.** Employers must provide specific gender pay indicators to a national monitoring body in a user-friendly manner. The indicators include overall and median gender pay gaps; gender pay gaps in variable pay (principally, discretionary bonuses); the proportion of female and male workers receiving variable pay; the distribution across quartile pay bands; and the gender pay gap by category of workers, split between basic pay and variable components. If requested, employers must provide clarifications and, where differences are not objectively justified, employers must remedy them within a reasonable period.

- **Joint pay assessment and remediation.** If the employer's reporting shows at least a 5% difference in average pay between women and men within any category of workers, and the employer does not justify the difference on objective, gender-neutral grounds, and does not remedy it within six months, the employer must conduct a joint pay assessment with worker representatives, where they exist. The assessment must analyze workforce composition, pay levels and variable components by gender and category, the reasons for differences and past remedial actions and provide concrete measures to eliminate unjustified gaps. Employers must share the joint pay assessment with workers, national monitoring bodies, including labour inspectorates and national equality bodies. Employers must remedy any unjustified pay differences within a reasonable time and review or establish gender-neutral job evaluation and classification systems to ensure that no direct or indirect gender-based pay discrimination remains.

When and To Whom The Obligations Apply

Member States must transpose the Directive by 7 June 2026. From then, national rules will apply to all EU employers.

Gender pay gap reporting deadlines are phased by employer headcount and relate to the previous calendar year:

- **Employers with 250 or more workers:** first report by 7 June 2027, then annually.
- **Employers with 150 to 249 workers:** first report by 7 June 2027, then every three years.
- **Employers with 100 to 149 workers:** first report by 7 June 2031, then every three years.

Member States may require reporting on gender pay gap by smaller employers or increase reporting frequency for any type of employer. Member States may also exempt employers with fewer than 50 workers from publishing pay progression criteria.

Enforcement, Litigation Risk and Remedies

The Directive significantly increases enforcement exposure.

- **Compensation and remedies.** Workers who suffer gender-based pay discrimination are entitled to full compensation, without a fixed upper limit. Such compensation includes back pay, related bonuses or payments in kind, compensation for lost opportunities and non-material damage, plus interest.
- **Burden of proof.** Where an employer has failed to comply with pay transparency obligations—such as by refusing information or not reporting—the burden shifts to the employer to prove there was no discrimination, unless the breach was manifestly unintentional and minor. Member States may introduce evidential rules which are more favorable to a worker who institutes an administrative procedure or court proceedings regarding an alleged infringement of any of the rights or obligations relating to the principle of equal pay.
- **Protection from retaliation.** Workers are protected from adverse treatment by exercising their rights, such as by requesting pay information or supporting a claim.
- **Penalties and repeat infringements.** Member States must impose effective, proportionate and dissuasive penalties, including fines, with enhanced penalties for repeat infringements.
- **Public procurement.** Member State authorities must ensure compliance with the equal pay obligations in the performance of public contracts and concessions. Member States may allow or require authorities to exclude bidders for serious non-compliance with equal pay or pay transparency obligations.
- **Oversight.** Each Member State must designate a monitoring body to collect and publish employer-level pay-gap data and receive joint pay assessments, and must ensure equality bodies have adequate powers and resources. This could take the form of, for example, a specialized unit within a national ministry, with the precise structure left to each Member State.

Practical Actions and Cross-Regulatory Touchpoints

There are a range of direct impacts, as well as touch points with other regulations for companies to pay attention to:

- **Scoping and readiness.** Conduct a scoping exercise to identify which entities fall within the Directive, confirm the applicable reporting cycle and local

transposition timelines, and map headcount thresholds for gender pay gap reporting, noting that national thresholds may differ from the Directive. Assess current policy, systems and data maturity to sequence near-term fixes and longer-term enhancements.

- **Recruitment and offers.** Embed salary ranges in job postings or provide them before interviews. Prohibit recruiters and interviewers from asking candidates about current or past pay during selection. Remove any salary-history fields from application and background-check workflows. Ensure offer letters reflect the relevant salary band and objective criteria.
- **Pay confidentiality and worker communications.** Remove pay confidentiality clauses from employment contracts, handbooks and policies that restrict employees from discussing their pay. Prepare clear, plain-language descriptions of pay-setting and progression criteria and establish a tracked process to meet the Directive's two-month deadline for workers' information requests. Communicate employee rights annually and foster open dialogue on pay transparency.
- **Pay data, indicators and reporting.** Review pay structures and job evaluation outcomes for gender neutrality. Confirm systems can generate all required indicators, including median and mean pay gaps, variable pay metrics and quartile distributions. Identify and close data gaps early. Prepare for gender pay gap reporting by jurisdiction, reflecting local headcount thresholds, data definitions and publication requirements.
- **Joint pay assessment readiness.** Define governance, role for worker representatives, documentation standards and remediation options to address any unjustified gaps promptly.
- **Cross-regulatory alignment.** Coordinate with sustainability reporting teams under the Corporate Sustainability Reporting Directive and with procurement, competition law and M&A processes, given overlaps in data, controls and stakeholder scrutiny. While disclosure is required under the Pay Transparency Directive, anti-trust compliance remains critical when publishing salary ranges. Companies should avoid signaling market-wide wages and must not exchange salary ranges or wage-setting information with competitors, as this remains a focus of anti-trust enforcement and has recently been heavily scrutinized by the European Commission and national competent authorities.

Remaining Uncertainties

Given that Member States are at different stages of implementation and retain a degree of discretion in how they implement and enforce certain parts the Directive, its practical impact remains uncertain. Belgium's French Community (Fédération Wallonie-Bruxelles) has emerged as an early mover, adopting measures that go beyond the Directive's minimum requirements.² Its new decree, which amends the 2008 anti-discrimination framework, introduces enhanced transparency obligations—including mandatory disclosure of pay information in job advertisements and detailed reporting on remuneration during family-related leave such as maternity, parental, and adoption leave. Stricter provisions than those in the Directive also appear in draft legislation in Finland, Ireland, and Lithuania.³

Germany has established a Commission to support its implementation process.⁴ By contrast, several other Member States have so far limited their activity to publishing general information on the Directive—for example, Finland's Ministry of Social Affairs and Health⁵ and France's Department of Legal Affairs within the Ministry of Economy, Finance and Industrial and Digital Sovereignty⁶. It is likely that similar commissions or working groups will be established across Europe as implementation efforts accelerate,

² MINISTÈRE DE LA COMMUNAUTÉ FRANÇAISE, *Décret modifiant le décret du 12 décembre 2008 relatif à la lutte contre certaines formes de discrimination*, Moniteur belge (Belgian Official Gazette), 12 September 2024.

³ Sosiaali- ja terveysministeriö, "Työryhmän esitys palkka-avoimuusdirektiivin täytäntöönpanoksi etenee" [The working group's proposal for implementing the Pay Transparency Directive is progressing], 16 May 2025, available at https://stm.fi/-/tyoryhman-esitys-palkka-avoimuusdirektiivin-taytantonpanoksi-etenee?languageId=sv_SE, last accessed 3 December 2025; Department of Children, Disability and Equality, "General Scheme of the Equality (Miscellaneous Provisions) Bill 2024," 15 January 2025, available at <https://www.gov.ie/en/department-of-children-disability-and-equality/publications/general-scheme-of-the-equality-miscellaneous-provisions-bill-2024/>, last accessed 3 December 2025; Department of Children, Disability and Equality, "General Scheme of the Equality (Miscellaneous Provisions) Bill 2024," 15 January 2025, available at <https://www.gov.ie/en/department-of-children-disability-and-equality/publications/general-scheme-of-the-equality-miscellaneous-provisions-bill-2024/>, last accessed 3 December 2025.

⁴ Bundesministerium für Familie, Senioren, Frauen und Jugend, "Kommission zur Umsetzung der Entgelttransparenzrichtlinie startet," 17 July 2025, available at <https://www.bmbfsfj.bund.de/bmbfsfj/aktuelles/alle-meldungen/kommission-zur-umsetzung-der-entgelttransparenzrichtlinie-startet-267884>, last accessed 3 December 2025.

⁵ Sosiaali- ja terveysministeriö, "Työryhmän esitys palkka-avoimuusdirektiivin täytäntöönpanoksi etenee" [The working group's proposal for implementing the Pay Transparency Directive is progressing], 16 May 2025, available at https://stm.fi/-/tyoryhman-esitys-palkka-avoimuusdirektiivin-taytantonpanoksi-etenee?languageId=sv_SE, last accessed 3 December 2025.

⁶ Ministère de l'Économie, des Finances et de la Souveraineté industrielle et énergétique — Direction des Affaires juridiques, "Lettre de la DAJ – Une directive européenne vient renforcer l'application du principe de l'égalité des rémunérations entre les femmes et les hommes", available at <https://www.economie.gouv.fr/daj/lettre-de-la-daj-une-directive-europeenne-vient-renforcer-lapplication-du-principe-de-legalite>, last accessed 3 December 2025.

though the extent of such initiatives will only become clear as the transposition deadline approaches.

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Please do not hesitate to contact us with any questions.



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