The European Union Pay Transparency Directive in 2026

The EU Pay Transparency Directive (the "Directive") will take effect in June 2026, and as this deadline approaches, there is much that organisations can be doing to prepare for the obligations focussed on the principle of equal pay for equal work or work of equal value between men and women. The Directive introduces a comprehensive framework of pay transparency measures and reporting requirements that require proactive attention from employers of all sizes, even where pay gap reporting headcount thresholds are not met.

Key Requirements Of The Directive

Employers should be aware of the following key obligations detailed in the Directive which are designed to promote pay transparency:

- **Equal work and work of equal value:** Member States must ensure that employers implement pay structures that guarantee equal pay for equal work or work of equal value, supported by accessible analytical tools, methodologies and structures designed to help assess and objectively compare the value of work, based on gender-neutral criteria
- **Rights to information:** Employers of all sizes must be prepared to provide all workers with written information, upon request, about their individual pay and the average pay levels, broken down by sex, for comparable work or work of equal value. Employers must annually inform workers of this right and respond to a request within two months. Workers can request further clarification if the information is inaccurate or incomplete, and they are entitled to these additional details and a substantiated response. This obligation is important for employers to consider because it means that every employer, even those not subject to formal reporting requirements, will need to consider carrying out analysis of pay levels in order to provide accurate and meaningful pay information
- **Gender Pay Reporting:** Employers must provide information regarding the mean and median gender pay gaps, including (a) those based on complementary and variable pay components (such as bonuses), (b) the proportion of men and women receiving these pay components, (c) the gender distribution within each pay quartile, and (d) pay gaps across worker categories broken down by basic salary and complementary or variable pay. (a) – (c) must be reported to the relevant authority and shall be made publicly available. (d) must be provided to workers and workers' representatives, as well as the labour inspectorate and the equality body upon request. The accuracy of the reported information and methodologies used must be shared and verified in consultation with workers' representatives. The thresholds are as follows: 1) employers with 100-149 employees must publish the report by 7 June 2031 and every three years after; 2) employers with 150-249 employees must publish the report by 7 June 2027 and every three years after; and 3) employers with >250 employees must publish the report by 7 June 2027 and then annually
- **Joint pay assessments:** Employers subject to the reporting obligation must conduct a joint pay assessment if their report shows a gender pay gap of 5% or more in any worker category that cannot be justified by objective, gender-neutral criteria and remains unaddressed six months after reporting. This assessment must include a prescribed analysis and be shared with workers, representatives, and monitoring bodies. Additionally, employers are required to remedy unjustified pay differences promptly in cooperation with workers' representatives, with possible involvement from the labour inspectorate and equality body.

UK / EU Divergence

Whilst the Directive currently goes considerably further than any existing UK pay reporting obligations, the UK government issued a call for evidence earlier this year seeking opinions on whether introducing legally binding pay transparency measures would be a proportionate and effective way to improve pay equality in the UK.

The government's suggestions mirror some aspects of the Directive. Measures that could be adopted in the UK include requiring employers to provide specific salary ranges in job advertisements before interviews and a prohibition on enquiring as to a candidate's salary history. We may hear more on new measures being introduced into 2026.

Looking Ahead – Impact On Employers

The new obligations under the Directive will significantly impact employers with operations in the EU, particularly those with populations in countries with limited existing pay transparency requirements. Significantly, the non-gender pay reporting obligations under the Directive will apply irrespective of headcount, and worker's rights to information regarding their own pay levels and the average pay levels for categories of workers performing the same work as them or work of equal value to theirs means that some form of analysis will need to be considered for those employers to whom the reporting obligations do not apply, in order to obtain the necessary data to comply with such requests.

There is much that employers can do now to prepare, including reviewing their pay structures, ensuring accurate data collection, and being ready to respond effectively to both information requests and potential legal challenges.

Whilst early 2026 will be a vital period of preparation for employers, looking beyond the deadline, the Directive will likely influence what is perceived as best practice, resulting in an increased volume of work for employers as they take steps to consider and implement the administrative framework required under the Directive (for example, training staff or updating and adapting pay-related policies). There is also expected to be an increase in pay equity litigation, as seen in recent high-profile cases in countries including Belgium, France, and the UK, where access to pay data was crucial for the claimants' cases.

By taking steps now, employers will be better positioned to comply with the Directive, reduce the risk of non-compliance, and demonstrate their commitment to pay equity and transparency across their EU operations.

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