

Understanding the EU Pay Transparency Directive

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August 27, 2024

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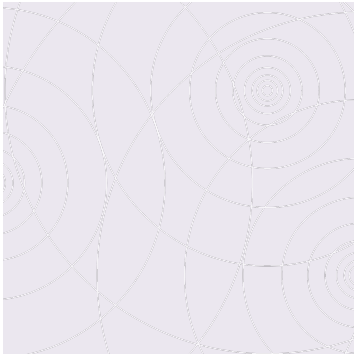


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At one time largely a U.S. concern, pay equity and transparency have rapidly become globally important to all multinational companies wherever headquartered. The EU Pay Transparency Directive is a milestone adopted with clear objectives: closing the gender pay gap and making it easier to bring equal pay claims.

The 24 Member States have until June 7, 2026, to implement the Directive into their own law. Businesses should begin taking appropriate action now to ensure compliance. Powerful enforcement mechanisms back the Directive's new reporting requirements.

The Directive came into force on June 7, 2023, introducing new employer obligations:

1. Disclose salaries at recruitment.
2. Comply with employee requests for pay data.
3. Publish gender pay gap statistics.
4. Face compulsory audits and penalties when unjustified discrepancies come to light.

Although the Directive will only apply directly to EU Member States, and non-EU employers that employ individuals in the EU, it will undoubtedly raise expectations of pay transparency across Europe and globally. This will impact employee expectations and the war for talent, as well as expectations of customers and shareholders that value environmental, social, and governance strategy and practices.

Employers should prepare for compliance with the new rules. For most multinational organizations, this will take significant time.

Key Elements

Under the Directive:

1. *Pay transparency prior to employment: the recruitment procedure.* Employers will be required to provide jobseekers information on an initial pay range based on objective, gender-neutral criteria.
2. *Pay transparency during employment and the right to information.* Employers will be required to provide existing employees with transparency on pay setting and their pay progression policy. The criteria must be easily accessible, and employees have the right to request and receive information on their individual pay and average pay levels, broken down by gender, for categories of workers performing the same work or of equal value.
3. *Reporting obligations.* Employers with at least 100 employees must provide a monitoring body, as well as their employees, data required for the reporting obligation. This includes median gender pay gap, the gender pay gap in variable components (such as bonus or additional benefits), and proportion of female/male workers in each quartile pay band.

4. *Joint pay assessment.* Employers who are subject to pay reporting must conduct a joint pay assessment in cooperation with their workers' representatives.
5. *Remedies and enforcement.* Employees have a right to request a full, real, and effective compensation or reparation if they have suffered damage as a result of an infringement of any right or obligation relating to the principle of equal pay. Member States may also establish sanctions, including fines, for infringements of the equal pay rule.

Canada Initiatives

Canada has addressed pay transparency in several of its provinces. As of the date of this article, the provinces of British Columbia, Nova Scotia, Newfoundland and Labrador, and Prince Edward Island have passed some form of pay transparency legislation.

In particular, in British Columbia, all employers with at least 1,000 employees will be required to post pay transparency reports that include organizational data on gender, salary, hours worked, bonus pay, overtime pay, and overtime hours worked by November 2024. (For employers with at least 300 employees, the deadline is November 2025, and November 2026 for employers with at least 50 employees.) In addition, as of May 2023, all British Columbia employers:

- Must include expected pay range in public job postings;
- Cannot ask job applicants their pay history; and
- Cannot retaliate against employees who ask about pay or reveal pay to other employees or job applicants.

Similar legislation is under consideration in the province of Ontario.

L&E Resources

Multinational companies face a myriad of requirements surrounding pay transparency, including the patchwork of pay equity state law obligations. Below are resources from our L&E Global colleagues on navigating the emerging requirements and standards the Directive and other global pay transparency initiatives are sure to have on multinational operations and compensation approaches:

- [EU: The EU Pay Transparency Directive: What Employers Need to Know](#)
- [Pay Transparency: How are changes in the EU likely to impact UK employers now and in the future?](#)
- [The EU Pay Transparency Directive: A far-reaching instrument imposing more than just transparency](#)
- [Canada: Pay Transparency, Take Two](#)

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