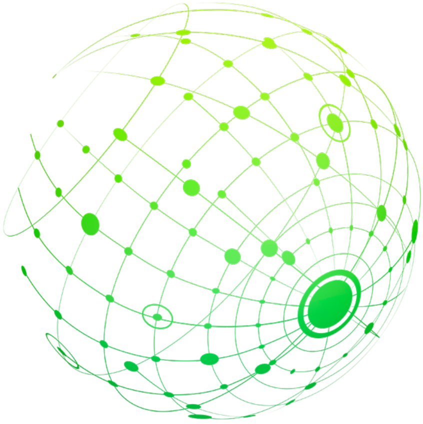

The EU Pay Transparency Directive: what have we learned from existing global legislation?

Regulation is driving policy changes in relation to equity, clarity on pay, and actions to reduce gender disparity.

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.

The Directive will impact organisations across Ireland as well as all other EU Member States and is reflective of a wider global trend towards pay transparency. Ireland implemented local Gender Pay Gap reporting in 2022, with companies of 50 plus employees required to report from 2025 onwards. As the Directive is mandated by the European Union to EU Member States only, companies based solely in Northern Ireland (as part of the UK) will not be directly impacted by the Directive. However, companies with a footprint outside of the EU should be mindful of the requirements under the Directive too. 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 Ireland, the UK, the US, Brazil and Australia, what lessons can EU employers learn from these countries?

EU Member States have until 7th June 2026 to implement the Directive.

The global direction of travel

All things Environmental, Social and Governance (ESG) have moved up the corporate agenda, prompted by the increasing regulation in this area, including the implementation of Corporate Sustainability Reporting Directive (CSRD).

The importance of transparency, diversity and equity has increased given the regulatory environment and the potential sanctions for getting it wrong, including negative publicity. Some parties now see these as 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 (CSRD). 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?

Ireland

Gender pay gap reporting for business with 50 plus employees from 2025, including the mean and median hourly pay gap by three criteria, the bonus pay gap, disclosing the percentage of male and female employees who received a) a bonus, b) benefit in kind and gender representation by quartile.

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 Labour 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.

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 for your business and job architecture that balances compliance and the company's desired flexibility.

> "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."

Case study:
Lessons from reporting in Ireland

Irish organisations with 50 or more employees must report gender pay gap metrics annually, including the mean and median hourly pay gap and bonus pay gap from 2025 (previous 250 or more employee 2022/2023 and 150 or more employees in 2024).

Given the methodology is based on unadjusted, average data across the whole organisation, it does not always identify 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 current Irish gender pay gap reporting doesn't always 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 any pay gap within a worker cohort on the basis of objective and gender-neutral criteria. If an employer cannot justify a pay gap of over 5% and there is no remedy, the employer will be required to undertake a 'joint pay assessment' – in effect, an equal pay audit – with worker representatives.

Such an exercise is likely to be time consuming and result in more in-depth data being available to employees. This could in turn lead to an increase in equal pay claims.

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 (possibly across 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.

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

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.

> "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."

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. Other Member States can take a similar approach but it is open to each Member State to decide how it adopts the Directive.

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.

While it would make sense for Ireland to integrate the EU Directive into existing gender pay gap reporting requirements to avoid the unnecessary bureaucracy under dual parallel but different reporting regimes, we await information on the plans for the transposition of the Directive.

Final Word

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.

> "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."

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.

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