EU Pay Transparency

Everything You Need to Know and When You Need to Know It

David Cohen, Lisa Harpe, Joanna Colosimo

October 22, 2025

David Cohen, M.S.

President

Joanna Colosimo, M.A.

Vice President of Workforce Analytics and Compliance Strategy

Lisa Harpe, Ph.D.

Director of HR and EEO Analytics

DCI: Data Driven – Client Focused

Our Mission

Advancing non-discrimination and fairness in the workplace by implementing merit-based and skill-focused employment practices.

Our Vision

We believe every person deserves equal opportunity and fair treatment in the workplace and beyond.

How DCI Can Help

Compliance

- VEVRAA and Section 503 AAPs
- State affirmative action and non-discrimination
- EEO-1 and VETS-4212 reports
- DOL compliance review support
- State pay reporting
- Pay transparency
- Proactive guidance on regulatory change
- DEI risk mitigation

Selection and Assessment

- Job analysis
- Selection procedure development and validation
- Expert evaluation/bias audit of HR systems, including artificial intelligence

Workforce Analytics

- EEO disparity analyses
- Damage calculations
- Non-discrimination in employment plans
- Reduction-in-force analyses
- Barrier analyses

Pay Equity and Compensation

- Pay equity studies
- EU Pay Transparency
- Pay compression studies
- Wage gap studies
- Job architecture development
- Market benchmarking
- Pay band creation
- Executive compensation reviews
- Bonus program reviews

Litigation Support

- Consulting expert in applied research in class action litigation
- Testifying expert in case strategy, expert reports, & sworn testimony
- Expert reviews of AI-based hiring procedures

Webinar Format

- → Participant phone lines are **muted**
- → **Submit questions** by sending an email to questions@dciconsult.com
- → If you have any **technical difficulties during the call**, please email questions@dciconsult.com

Note: DCI Clients will have access to this presentation through the Client Resources Portal. Please log in to the portal from the DCI website to view archived Webinar Wednesday presentations.

Disclaimer

The information in this PowerPoint is provided for general information purposes only and these materials are not intended to provide legal advice. These copyrighted materials may not be reproduced, copied, or used without prior permission from the authors.

01

Who, What, When and How of EU Pay Reporting

02

Enforcement of the Directive

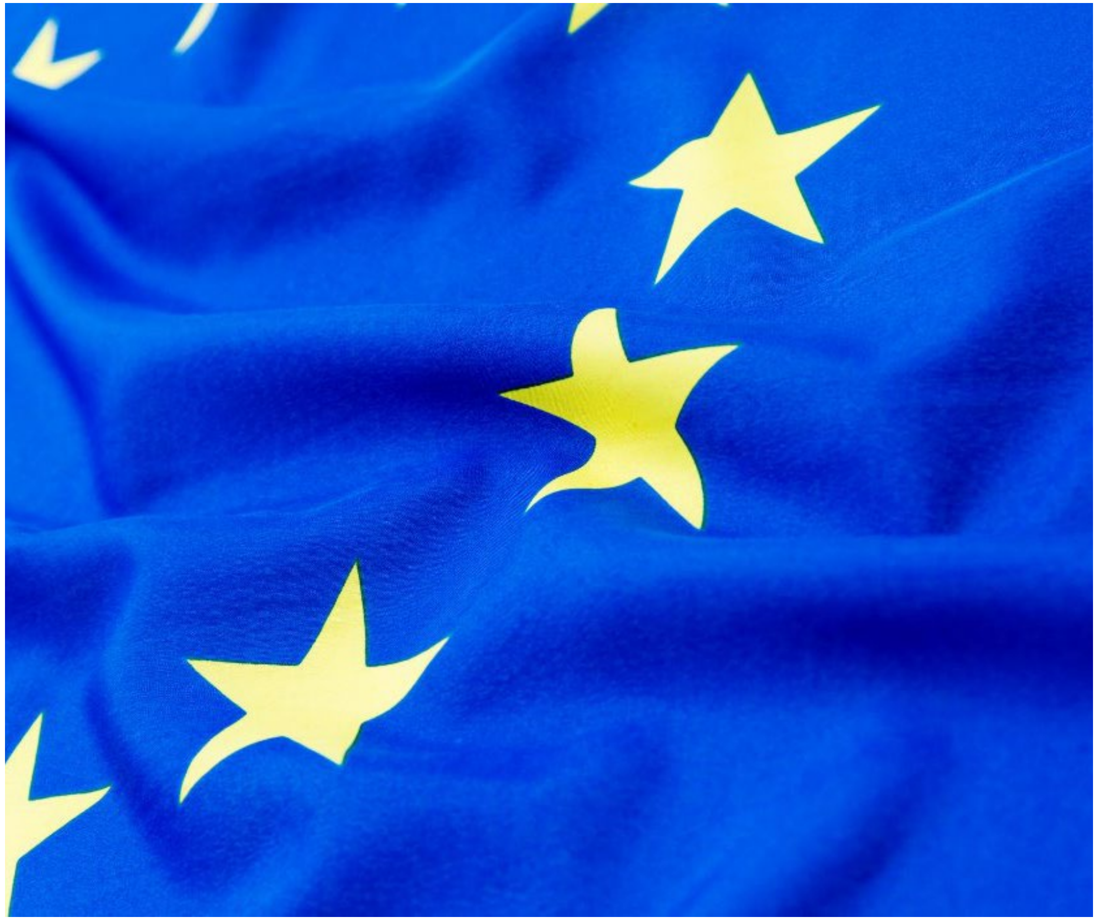
03

Implications for Employers & Considerations

Who, What, When, and How

European Union Pay Reporting

EU Pay Transparency Directive Overview



Adoption
The Directive was adopted in April 2023 and became effective in June 2023 across EU member states.

Compliance Deadline
All EU member states must comply by June 7, 2026, with reporting starting in 2027 based on 2026 data.

Objectives and Impact
The Directive promotes salary transparency to reduce the gender pay gap and increase accountability in pay practices.

Employer Responsibilities
Employers must prepare for annual pay reporting and align compensation with the Directive's standards.

What is the Purpose?

- Ensure equal pay for men and women
- Transparency in pay setting and pay progression practices
- Ban on asking and relying on pay history
- The right to information
- Pay reporting and the requirement to take action on results
- Enforcement and penalties

27 Members, 27 Laws

EU Membership

The European Union is made up of 27 distinct member countries across Europe that work together on common issues.

Shared Legislation

All member states contribute to creating EU-wide laws and policies through collaboration and negotiation.

National Legal Diversity

Even as they shape EU policies, each country retains its unique national laws and legal traditions.

Who is Covered?

Inclusive Worker Categories

- The Directive covers full-time, part-time, fixed-term, temporary agency workers, and management roles.

Legal and Agreement Scope

- Coverage scope is defined by national laws and collective agreements within EU member states.

Member State Discretion

- Member states can implement stricter measures beyond the Directive's baseline requirements.

Goal of Fair Compensation

- Ensures pay transparency and equity across diverse employment arrangements for inclusive compensation.

What are the Core Requirements

Salary Range Disclosure

- Employers must provide salary ranges in job listings or before interviews to promote pay transparency.

Prohibition of Salary History Inquiry

- Employers are prohibited from asking candidates about their salary history.

Employee Pay Access and Reporting

- Employees can access pay information, and large employers must submit annual pay reports.

Enforcement and Pay Gap Assessments

- Enforcement includes legal remedies and joint pay assessments to address significant pay gaps.

When? Implementation Timeline

Apr. 2023

Directive adopted by European Union

7 June 2026

Each EU Member State is expected to comply with the Directive, but also can introduce additional measures

7 June 2027

Reporting obligations for employers being at the latest (based on 2026 data)

June 2031

Triennial reporting for employers with 100-149 employees

EU Countries That Have Started

While all member states MUST meet the minimum requirements of the Directive, they can also implement more stringent measures.

Note: The Dutch government will postpone the implementation of the Directive until January 1, 2027, and also delay the data timeframe used for publication.* ***Will this be a broader trend?*

Belgium –
Strict Pay Range Transparency; Pay Reporting beyond baseline

Ireland –
Pay range requirements beyond EU baseline

Netherlands*

Poland

Sweden

Malta

Lithuania

Slovakia

Finland –
Reporting nuances

Pay Gap Reporting Requirements

Reports must include:

- **Mean** and **median** pay gaps;
- **Mean** and **median** pay gaps in complementary or variable pay;
- The proportion of female and male workers receiving complementary or variable components;
- The proportion of female and male workers in each quartile pay band;
- The gender pay gap between employees by “categories of workers” broken down by ordinary basic wage and complementary or variable components.

Example Reporting

Overall Gender Pay Gap

Metric	Female-to-Male Ratio	Pay Gap
All Employees (Mean)	€0.88: €1.00	12%
All Employees (Median)	€0.90: €1.00	10%

Gender Pay Gap in Complementary Pay

Metric	Female-to-Male Ratio	Pay Gap
Bonus & Incentives (Mean)	€0.82: €1.00	18%
Bonus & Incentives (Median)	€0.85: €1.00	15%

Proportion Receiving Complementary Pay

Gender	% Receiving Bonus/Incentives
Female	45%
Male	55%

Proportion of Female and Male Workers in Each Quartile Pay Band

Quartile	Female	Male
Q1 (Lowest)	60%	40%
Q2	55%	45%
Q3	48%	52%
Q4 (Highest)	30%	70%

Gender Pay Ratio by Category of Workers
Category 1: Managers
Category 2: Analysts

	Category of Worker	Female-to-Male Ratio	Gap
Basic Pay (Mean)	Managers	€0.95 : €1.00	5%
Variable Pay (Median)	Managers	€0.90 : €1.00	10%
Basic Pay (Mean)	Analysts	€0.98 : €1.00	2%
Variable Pay (Median)	Analysts	€1.01 : €1.00	- 1%

Example Reporting

Overall Gender Pay Gap

Metric	Female-to-Male Ratio	Pay Gap
All Employees (Mean)	€0.88: €1.00	12%
All Employees (Median)	€0.90: €1.00	10%

Gender Pay Gap in Complementary Pay

Metric	Female-to-Male Ratio	Pay Gap
Bonus & Incentives (Mean)	€0.82: €1.00	18%
Bonus & Incentives (Median)	€0.85: €1.00	15%

Example Reporting

Overall Gender Pay Gap

Metric	Female-to-Male Ratio	Pay Gap
All Employees (Mean)	€0.88: €1.00	12%
All Employees (Median)	€0.90: €1.00	10%

Gender Pay Gap in Complementary Pay

Metric	Female-to-Male Ratio	Pay Gap
Bonus & Incentives (Mean)	€0.82: €1.00	18%
Bonus & Incentives (Median)	€0.85: €1.00	15%

Proportion Receiving Complementary Pay

Gender	% Receiving Bonus/Incentives
Female	45%
Male	55%

Proportion of Female and Male Workers in Each Quartile Pay Band

Quartile	Female	Male
Q1 (Lowest)	60%	40%
Q2	55%	45%
Q3	48%	52%
Q4 (Highest)	30%	70%

Gender Pay Ratio by Category of Workers
Category 1: Managers
Category 2: Analysts

	Category of Worker	Female-to-Male Ratio	Gap
Basic Pay (Mean)	Managers	€0.95 : €1.00	5%
Variable Pay (Median)	Managers	€0.90 : €1.00	10%
Basic Pay (Mean)	Analysts	€0.98 : €1.00	2%
Variable Pay (Median)	Analysts	€1.01 : €1.00	- 1%

Example Reporting

Proportion of Female and Male Workers in Each Quartile Pay Band

Quartile	Female	Male
Q1 (Lowest)	60%	40%
Q2	55%	45%
Q3	48%	52%
Q4 (Highest)	30%	70%

Proportion Receiving Complementary Pay

Gender	% Receiving Bonus/Incentives
Female	45%
Male	55%

Example Reporting

Overall Gender Pay Gap

Metric	Female-to-Male Ratio	Pay Gap
All Employees (Mean)	€0.88: €1.00	12%
All Employees (Median)	€0.90: €1.00	10%

Gender Pay Ratio in Complementary Gap

Metric	Female-to-Male Ratio	Pay Gap
Bonus & Incentives (Mean)	€0.82: €1.00	18%
Bonus & Incentives (Median)	€0.85: €1.00	15%

Proportion Receiving Complementary Pay

Gender	% Receiving Bonus/Incentives
Female	45%
Male	55%

Proportion of Female and Male Workers in Each Quartile Pay Band

Quartile	Female	Male
Q1 (Lowest)	60%	40%
Q2	55%	45%
Q3	48%	52%
Q4 (Highest)	30%	70%

Gender Pay Ratio by Category of Workers
Category 1: Managers
Category 2: Analysts

	Category of Worker	Female-to-Male Ratio	Gap
Basic Pay (Mean)	Managers	€0.95 : €1.00	5%
Variable Pay (Median)	Managers	€0.90 : €1.00	10%
Basic Pay (Mean)	Analysts	€0.98 : €1.00	2%
Variable Pay (Median)	Analysts	€1.01 : €1.00	- 1%

Example Reporting

Gender Pay Ratio by Category of Workers
Category 1: Managers
Category 2: Analysts

	Category of Worker	Female-to-Male Ratio	Gap
Basic Pay (Mean)	Managers	€0.95 : €1.00	5%
Variable Pay (Median)	Managers	€0.90 : €1.00	10%
Basic Pay (Mean)	Analysts	€0.98 : €1.00	2%
Variable Pay (Median)	Analysts	€1.01 : €1.00	- 1%

What Counts as "Pay"?

- Both base pay and "complementary or variable components" of pay.
    - The EU law inherently is looking at total compensation.
- Complementary or variable pay may include, but are not limited to: bonuses, overtime compensation, travel facilities, housing and food allowances, sick pay, occupational pensions, etc.
- Pay Level must be presented as gross annual pay and the corresponding gross hourly pay.
- Is this useful?

What is a “Category of Worker”?

From EU Pay Directive

‘Category of workers’ means workers performing the *<u>same work or work of equal value grouped</u>* in a *non-arbitrary manner based on the non-discriminatory and objective gender-neutral criteria* referred to in Article 4(4), by the workers’ employer and, where applicable, in cooperation with the workers’ representatives in accordance with national law and/or practice.

Article 4: *“…This includes considering factors like skills, effort, responsibility, and working conditions.”*

From U.S. Federal Register (Voluntary Guidelines)

“**Similarly-situated employee groupings**” **or** “**SSEGs**” were defined as groupings of employees who perform *<u>similar work and occupy positions with similar responsibility levels</u>* and involving *<u>similar skills and qualifications.</u>*

Enforcement of the Directive

Enforcement & Legal Remedies

In cases where pay discrimination is alleged, the employer must prove that pay practices are fair.

Employees may seek:

- Back pay for lost wages
- Compensation for discrimination

Each EU Member state must designate penalties and ensure access to the courts for affected workers.

Worker Rights

Employees have the right to request their own salary details and the average pay by gender for colleagues performing same or similar work.

- Employers must remind staff of this right every year.

Workers have the right to be represented by a trade union or a representative of their choice, ensuring a shield against retaliation when pushing for equal pay.

Joint Pay Assessment

Additionally, another report called a **Joint Pay Assessment** is required if:

There is a gender pay gap of 5% or more, and	The employer can't explain the gender pay gap with impartial, objective factors

Such assessments must involve employee representatives.

What is the 5% Gap Based on?

- Gender neutral: What happens if men are making 5% less on average?
- EU member states and FAQs should outline more details

From the Directive:

> "the pay reporting demonstrates a difference in the average pay level between female and male workers of at least 5 % in any category of workers;
>
> (b) the employer has not justified such a difference in the average pay level on the basis of objective, gender-neutral criteria;
>
> (c) the employer has not remedied such an unjustified difference in the average pay level within six months of the date of submission of the pay reporting."

Implications for Employers in the EU

Practical Considerations

What to Start Doing Now

Run a proactive pay equity study using regression, base pay, and analyze complementary variables under attorney-client privilege.

Examine how you define “Category of Worker” in your pay gap reporting.

Run a simulation of what EU Reporting is going to do by country, see where you are triggering.

- Complementary pay – consider running together and separately?
- In addition to looking at statistical significance, look for 5% differences
- Do you know what factors influence those pay differences that are based on merit, skill, or impartial factors?

Final Takeaways

01

Need to get a handle on what your data is telling you…now, prior to reporting!

02

Need to use formal compensation systems based on clear, objective and gender-neutral criteria.

03

Determine your strategy if your gender pay gap is 5% or more.

Our Resources

Client Resource Portal

The CRP contains training, checklists, infographics, webinars, and other resources to help DCI clients reach their equal employment opportunity and affirmative action goals. This redesigned Portal is categorized by topic and location for ease of navigation.

Monthly Webinars

DCI offers monthly webinars to help HR practitioners and compliance professionals stay up to date with the latest regulatory changes and best practices in implementation.

DCI Blog

The DCI blog is your source for the latest news and regulatory updates in the equal employment opportunity, affirmative action, pay equity, and HR analytics realm. These blogs are written exclusively by DCI's experts to help your organization stay in the know.

Scan the QR code to receive DCI Alerts!