

EU Pay Transparency Countdown:

Preparing for the June 2026 Transposition Deadline

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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
- Mandatory job listings
- 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



Selection and Assessment

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



Workforce Analytics

- DEI risk mitigation
- 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

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Agenda

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Directive: Implementation &
Timeline Updates**

03

**Data Considerations and
Implications for Employers**

02

**Coming into Compliance:
Adopt a Readiness Plan**

04

Next Steps

Implementation & Timeline Updates



EU Pay Transparency Directive Overview



Adoption

The Directive was adopted in May 2023 and was entered into force 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 about and relying on pay history

The right to information for workers

Pay reporting and the requirement to take action on results

Enforcement and penalties

EU Implementation Timeline



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.

Where Do Member States Currently Stand?

Implementation Status · May 2026

27
nations



*Confirmed a delay

Don't Wait—Adopt a Readiness Plan Today

4-Stage Readiness Plan for EUPT Compliance



1. Comply on Day One with Pay Transparency Obligations



2. Establish Defensible Worker Categories



3. Conduct a Provisional Analysis of Current Pay Gaps



4. Develop a Strategy for Addressing Pay Gaps of at Least 5%

*Regulatory uncertainty is not a reason to delay action.
A staged readiness plan reduces legal, operational, and reputational risk.*

Stage 1: Comply on Day One

Pay Transparency for Applicants and Workers

Pay Transparency
Prior to
Employment

Transparency of
Pay Setting and
Pay Progression
Policy

Right to
Information for
Workers

These obligations require immediate readiness.

Stage 1: Comply on Day One

Pay Transparency Prior to Employment (Article 5)

Salary Disclosure

- Employers must provide starting salary or salary range upon request by applicants, in job listing, or before interview, to promote pay transparency.

Prohibition of Salary History Inquiry

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

Gender-Neutral Recruiting and Hiring

- Job vacancy notices and job titles must be gender-neutral.
- Recruitment processes are led in a non-discriminatory manner.



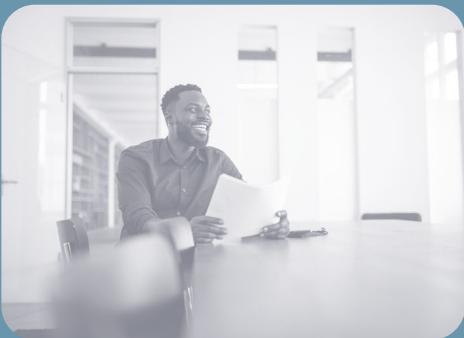
Stage 1: Comply on Day One

Pay Transparency for Workers



Transparency of Pay Setting and Pay Progression Policy (Article 6)

- Employers must make available to their workers criteria for determining workers' pay, pay levels, and pay progression
 - ***These criteria must be objective and gender-neutral***
- Member states may exempt employers with fewer than 50 workers

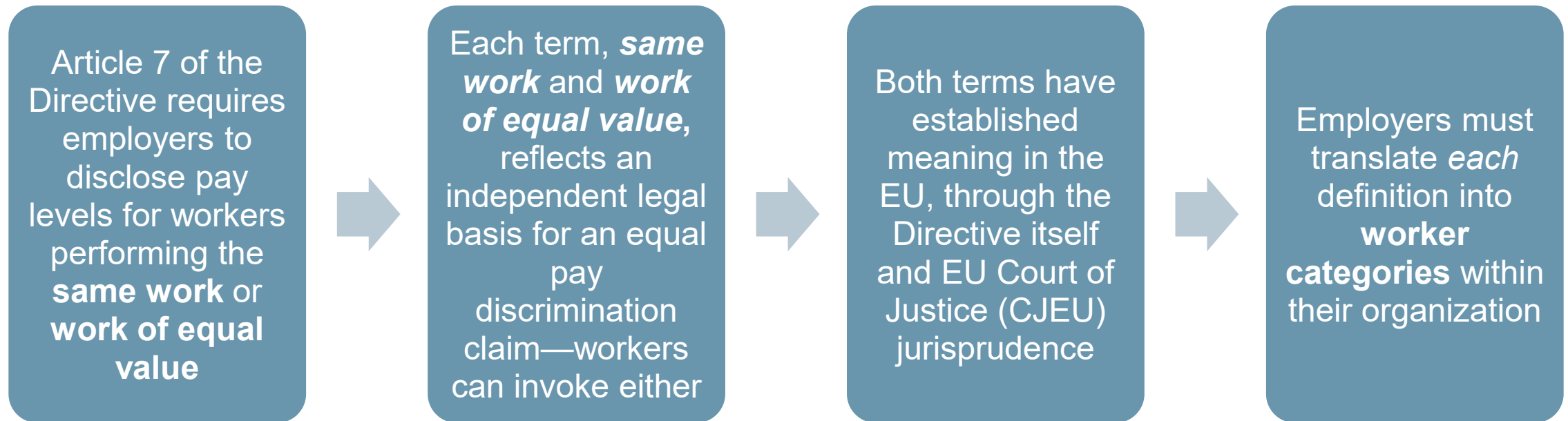


Right to Information (Article 7)

- Workers can request and receive pay information, including:
 - Their individual “pay level” *and*
 - The average pay levels for men and women ***performing the same work as them or work of equal value***
- Employers have two months to provide the information
- Employers must proactively inform workers of this right on an annual basis

Stage 2: Establish Defensible Worker Categories

To respond to workers, employers will need some definitions...



Stage 2: Establish Defensible Worker Categories

Definitions for Two Parallel Constructs

Same Work *Task-Based Comparison*

- EU Court of Justice: extends beyond same activities to include same training requirements and working conditions (*Wiener Gebietskrankenkasse*, 1999)
- Often aligns with job, sometimes broader or narrower

Work of Equal Value *Value-Based Comparison*

- Directive: grounded in four objective criteria: skills, effort, responsibility, and working conditions (Article 4(4))
- Comparisons can span different jobs and functions across the organization
- Aligns with the levels of a **pay structure** *that meets the Directive's criteria*

The Directive requires consideration of both to achieve equal pay.

Stage 2: Establish Defensible Worker Categories

Job evaluation roots a pay structure in the Directive's criteria

“Pay structures shall be such as to enable the assessment of whether workers are in a comparable situation in regard to the value of work.”
– *Directive, Article 4(4)*

Criteria

- Objective, gender-neutral
- Skills, effort, responsibility, working conditions (any other relevant factors)

Job Evaluation

- Jobs scored against criteria to determine relative value

Pay Structure

- Jobs of equal or comparable value grouped at the same pay level

Stage 2: Establish Defensible Worker Categories

Where do your pay structures stand? 3 positions, 3 risk profiles



No Formal Structure (Informal Practices)

- Highest risk
- Pay decisions lack a defensible basis



Market-Based Pay Structures

- High risk
- Benchmarking imports whatever gender disparities exist in the labor market—the exact disparities the Directive aims to eliminate



Job Evaluation-Based Structures

- Lower risk, but conditional on methods and documentation
- If methodology is documented and uses the Directive's criteria → defensible foundation
- If legacy, not documented, uses market adjustments, or uses only some criteria → less defensible

Stage 2: Establish Defensible Worker Categories

Where do employers go from here?

No Structure or Market-Based Structure

- Begin planning for a job evaluation now
 - Defensible job evaluation can take 6 to 18 months
 - Refresh job descriptions, ensuring they're gender-neutral and grounded in the Directive's four criteria
- Document interim pay rationale in the meantime

Existing Job Evaluation-Based Structure

- Expert review of documentation, methods
- Be prepared to make some adjustments

Employers Aren't on Their Own

- Member states are obliged to provide guidance to support equal-value assessment (Article 4(2))
- The European Institute for Gender Equality's "Gender-Neutral Job Evaluation Toolkit" offers a starting point for some employers

Right-to-information obligations under Article 7 may apply on day one—and they require worker categories.

Worker categories rest on methodology guidance that member states may not yet have published.

Some employers will need to act on the best categorization they can build and document their reasoning.

Stage 3: Provisional Analysis of Pay Gaps

What are the reporting requirements?

Reports must include:

Mean and median gender gaps in gross pay	Mean and median gender gaps in complementary or variable pay	The proportion of female and male workers receiving complementary or variable components of pay	The proportion of female and male workers in each pay quartile	The gender pay gap between employees by “categories of workers” broken down by ordinary basic wage and complementary or variable components
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Stage 3: Provisional Analysis of Pay Gaps

Why perform an early pay gap analysis?



Resolve challenging issues in advance:

- Coverage: worker snapshot or all workers performing work during the year
- Components to include in “complementary or variable pay”



Reduce risks of:

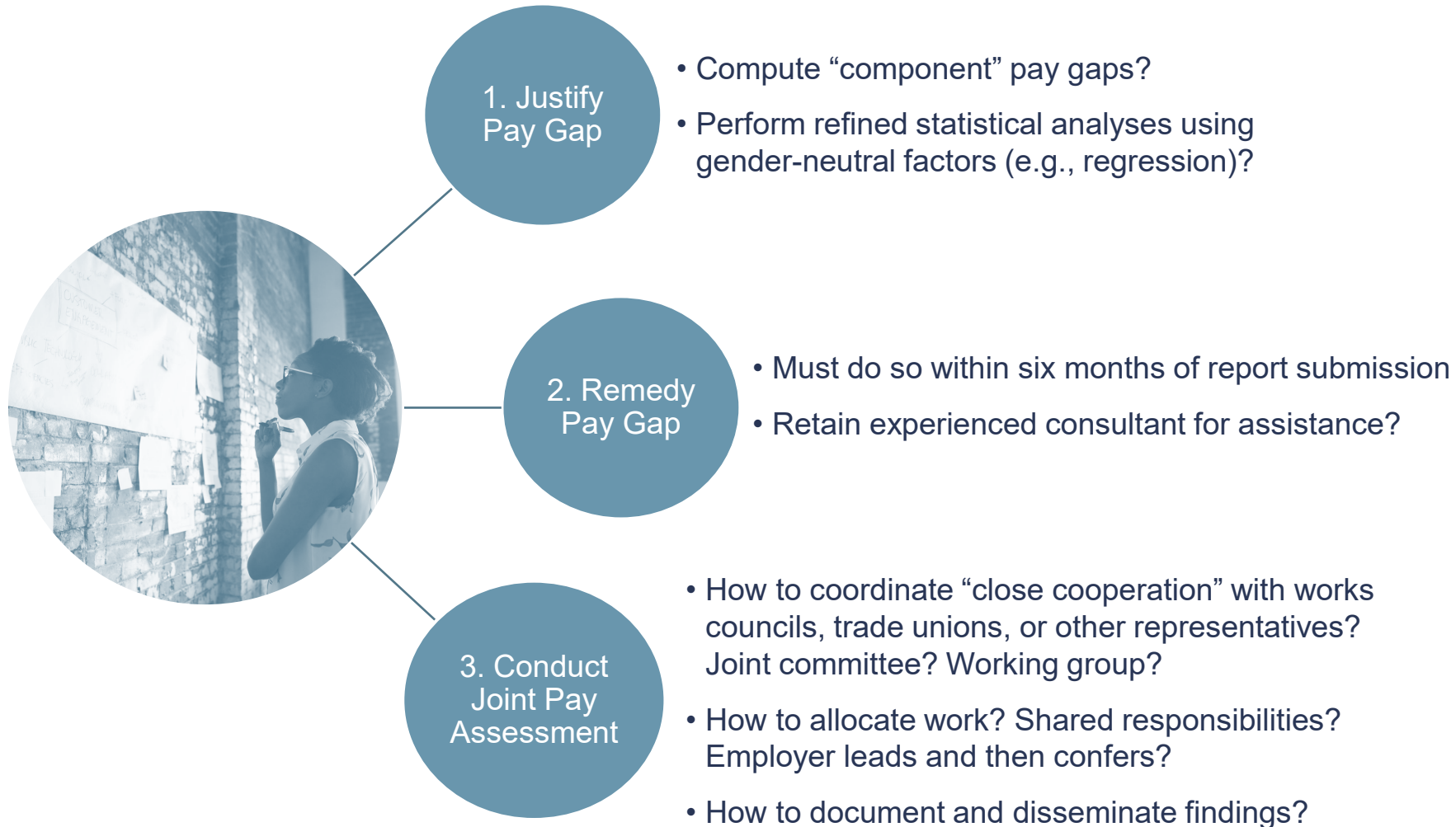
- Incorrectly computed pay gaps
- Insufficient time to investigate large pay gaps
- Late report submissions and heightened scrutiny by worker reps



Consider early on how to assign key responsibilities:

- Who will retain outside legal counsel? Who will establish process for data collection? Will internal staff or external consultants conduct analysis? Who will prepare reports for submission, distribution, and publication?

Stage 4: Develop a Strategy to Address Pay Gaps of at Least 5%



Data Considerations and Implications for Employers

*Reality of Data Collection, Multinational Complexities,
and Red Tape of Pulling Data*

Data Collection Expectations

Compliance includes a data governance challenge that leaves employers determining what steps to take

Article 9 states that reporting data needs to be based on the "previous calendar year"

Continuous Data Pull Under Art. 9-10

- Continuous data capture starting at the beginning of year
- Every pay event logged with date and type
- Leave records should be recorded
- Mid-year hires and terminations included

Snapshot Data Pull Under Art. 9-10

- Pull a December 31 payroll snapshot
- Calculate gaps from year-end headcounts
- Compile variable pay retroactively
- Begin data collection in early 2027*

How Broad Is the Definition of “Pay”?

Article 3(1)(a) and Recital 21: Pay includes any consideration, in cash or in kind, received directly or indirectly from an employer

In Scope	Potentially In Scope
Annual pay / hourly pay	Company car allowances
Annual performance bonuses	Subsidized housing
Quarterly commissions	Meal / food allowances
Overtime compensation	Gym memberships & wellness
Sick pay	Professional development stipends
Occupational pensions	Stock-based compensation

Non-cash benefits must be monetized for the pay gap calculation. The Directive does not specify valuation methodology. EU state legislation will vary.

Measurement Challenges

What makes variable pay calculations difficult for employers

01 Definitional Scope

- Which benefits count as complementary pay? Non-cash perks, in-kind benefits, and indirect compensation all fall within Article 3's broad reach — requiring documented, defensible categorization.

02. Monetization of Non-Cash Benefits

- Company cars, housing, and other in-kind benefits must be assigned a monetary value for gap calculations. No standardized EU-wide methodology exists — meaning national law could diverge.

03 Timing & Periodicity

- Spot bonuses, referral payments, and project awards don't fit neatly into annual or quarterly cycles. Latvia's draft law introduced 'provided on a regular basis' — a phrase that will create interpretive uncertainty for employers.

Infrastructure & Regulatory Patchwork

Fragmented Payroll Systems

- Most multinational organizations rely on a mix of global HR platforms, regional payroll vendors, and country-specific configurations
- Different systems use different field names, pay codes, and categorization logic for the same benefits
- Harmonizing definitions across systems requires significant configuration
- Even unified platforms will need validation to ensure outputs match the Directive's requirements

Regulatory Patchwork

- **EU Baseline:** 100+ employees; minimum requirements — member states may go further (Art. 1)
 - Reporting starts in 2027 for 150+ employees
- **France:** March 2026 draft bill lowers reporting threshold to 50+ employees
- **Czechia:** Reporting proposed to start in 2028 on 2027 data
- **Denmark:** Specialized wage-statistics infrastructure via employer/union bodies

Red Tape: Works Councils & GDPR

Works Council Consultation

- Under Article 9(6), accuracy of pay reports must be confirmed by management after consulting workers' representatives, who also have access to applied methodologies.
- Formal codetermination or consultation rights in Germany, Netherlands, France, Belgium
- A central EU system is not possible in Works Council jurisdictions without local consultation first
- Consultation on new data collection processes can take months
- Works Councils may challenge methodology, variable pay scope, or categorization

GDPR Constraints (Article 12)

- Pay data is personal data under GDPR. Article 12(2) limits use of data to the equal pay principle only. Article 12(3) permits member states to restrict public access when disclosure would identify an individual worker.
- Pay transparency data cannot be repurposed for HR analytics or talent management without a legal basis
- Small worker categories may require restricted disclosure, limiting to Works Councils, equality bodies, or labor inspectorates
- Cross-border data flows between EU entities must comply with GDPR transfer requirements
- Data governance documentation and legal basis records add procedural burden

Works Council consultations and GDPR compliance can delay data collection implementation by months. Employers must factor this into their 2026–2027 preparation timeline.

Next Steps for Employers

Next Steps for Employers

1. Use DCI EU Navigator to track member state transposition and understand how pay transparency and reporting obligations vary.
2. Diagnose whether your pay structure aligns with the Directive's criteria or needs to be addressed.
3. Prepare communications, workflows, data, and staff to meet day-one pay transparency obligations for applicants and workers.
4. Conduct proactive pay gap analyses; find and address any issues before your reports surface them publicly.
5. Anticipate data complexity: pay data scoping, extraction, cleaning, and GDPR compliance are non-trivial.
6. Partner with HR analytics experts and external counsel early to mitigate legal risk.



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