

## EU Pay Transparency Directive FAQs

The EU Pay Transparency Directive is a new EU regulation designed to improve pay transparency and ensure equal pay for work of equal value. It introduces requirements around pay reporting, employee rights, and the justification of pay decisions.

For many organisations, the challenge is not understanding the Directive itself, but knowing how to apply it in a consistent and defensible way across roles, locations, and decisions.

This is where structure becomes critical, ensuring that pay decisions are based on objective, comparable criteria rather than interpretation.

Below, we answer the most important practical questions organisations are asking as they prepare for compliance, focusing on how the Directive works in practice.

[What is the EU Pay Transparency Directive?](#)

[Who does it apply to?](#)

[When does it take effect?](#)

[What is required by organisations?](#)

[How often do organisations need to report under the Directive?](#)

[Do organisations need a job evaluation scheme to comply?](#)

[What are "job categories" under the Directive?](#)

[Do organisations need to publish salary ranges in job adverts?](#)

[What information can employees request about pay?](#)

[What does gender pay gap reporting involve?](#)

[What happens if we have an unexplained pay gap?](#)

[Who has to prove that pay decisions are fair?](#)

[Are existing grading structures enough?](#)

[Why can organisations not manage this in spreadsheets?](#)

[How does the Pilat Fixed Factor scheme support compliance?](#)

[Is this a one-off compliance exercise?](#)

[What are the risks of getting this wrong?](#)

## What is the EU Pay Transparency Directive?

The EU Pay Transparency Directive introduces a set of measures designed to increase transparency around pay and strengthen the principle of equal pay for work of equal value.

It requires organisations to:

- Report on gender pay gaps at both organisation and job category level
- Provide salary ranges in job adverts and ensure transparency at the point of hire
- Respond to employee requests for pay information for comparable roles
- Demonstrate that pay decisions are based on objective, gender-neutral criteria

These requirements represent a shift from general equal pay obligations to a more structured, evidence-based approach to pay governance.

## Who does it apply to?

The Directive applies to organisations that employ staff within EU member states, including those headquartered outside the EU.

It applies across sectors and organisation types, with specific obligations varying depending on employer size and how the Directive is implemented at a national level.

While some requirements, such as gender pay gap reporting, are based on size thresholds, other transparency obligations apply more broadly to employers regardless of size.

## When does it take effect?

EU member states are required to implement the Directive into national law by 7 June 2026.

From that point, key requirements, such as pay transparency and employees' right to information, will begin to apply, although the exact timing may vary by country.

Some obligations, particularly gender pay gap reporting, will be introduced in phases, with the first reporting deadlines falling in 2027 and later depending on organisation size.

Given the scale of change required, most organisations will need to begin preparing well in advance.

## What is required by organisations to do?

At its core, the Directive requires organisations to explain and justify pay decisions with evidence, not assumption.

This includes the need to:

- Be transparent about pay from the outset, including providing salary ranges in job adverts
- Report on gender pay gaps in a structured and consistent way
- Demonstrate that pay differences are based on objective, gender-neutral criteria
- Take action where pay gaps cannot be explained

This is not just a reporting exercise. It represents a structural shift in how pay is defined, managed, and governed, with greater emphasis on consistency, transparency, and accountability.

## How often do organisations need to report under the Directive?

Formal reporting requirements under the Directive relate primarily to gender pay gap reporting and are based on organisation size. These will be introduced in stages:

- Employers with 250 or more employees will report annually
- Employers with 150 to 249 employees will report every three years
- Employers with 100 to 149 employees will also report every three years, with obligations introduced later

While gender pay gap reporting is the main structured reporting requirement, organisations must also meet a range of ongoing obligations, including providing pay transparency in hiring, responding to employee requests for pay information, and being able to justify pay decisions.

The challenge is not just producing reports, but ensuring the underlying data and decisions can be clearly explained and defended.

## Do organisations need a job evaluation scheme to comply?

The Directive does not explicitly mandate job evaluation, but in practice it is extremely difficult to comply without one.

To meet the requirements, organisations must be able to:

- Define work of equal value
- Compare roles objectively
- Apply consistent criteria
- Provide a clear and defensible rationale for pay decisions

This is exactly what an analytical job evaluation scheme enables, providing the structure needed to assess roles consistently and support compliance.

## What are “job categories” under the Directive?

This is one of the most misunderstood areas of the Directive.

The Directive requires reporting by “categories of workers doing the same work or work of equal value.”

These categories cannot be based on job titles alone and must be built on an objective comparison of roles.

This is where job evaluation becomes essential, providing the structure needed to define and group roles in a way that is consistent, evidence-based, and defensible.

A structured approach allows organisations to evaluate roles using consistent factors, identify comparable roles clearly, and create job categories that stand up to scrutiny.

## Do we need to publish salary ranges in job adverts?

Yes.

Organisations are required to provide pay or pay ranges before the interview stage, ensuring transparency at the point of hire, and are prohibited from asking candidates about their salary history.

This makes it essential that salary ranges are based on a clear and consistent framework. If they are not, they can quickly become inconsistent or difficult to justify.

## What information can employees request about pay?

Employees have the right to request information about their pay and how it compares to that of others doing the same work or work of equal value.

This includes their own pay level and the average pay for comparable roles, broken down by gender.

This introduces a new level of internal transparency and scrutiny. To respond confidently, organisations need clear role comparisons, a consistent evaluation methodology, and evidence to support how pay decisions are made.

## What does gender pay gap reporting involve?

Organisations will be required to report on a number of gender pay gap measures, depending on their size.

This includes:

- Mean and median gender pay gaps
- Pay distribution across quartiles
- Pay gaps by job category
- Bonus gaps, where applicable

The challenge is not just producing these figures, but understanding what is driving any gaps and being able to explain them clearly. This requires consistent role data, accurate categorisation, and clear insight into where gaps exist and why.

## What happens if we have an unexplained pay gap?

If a gender pay gap of 5% or more cannot be justified, organisations may be required to:

- Conduct a joint pay assessment
- Work with employee representatives or unions
- Identify the causes of the gap and implement corrective actions

This is a formal and resource-intensive process, and a clear area of risk.

Identifying issues early and ensuring role comparisons are evidence-based can help organisations address gaps before they reach this stage.

## Who has to prove that pay decisions are fair?

Under the Directive, the burden of proof sits with the employer.

Organisations must be able to demonstrate that pay differences are objective, gender-neutral, and applied consistently.

Without a clear and structured approach, this can be difficult to demonstrate, particularly when decisions have been made over time or across different parts of the organisation.

## Are existing grading structures enough?

In many cases, existing grading structures are not enough.

Common issues include legacy frameworks, inconsistent application across departments, a lack of documented rationale, and roles evolving without being re-evaluated.

Under the level of scrutiny introduced by the Directive, these gaps become more visible, making it difficult to demonstrate that pay decisions are consistent, objective, and evidence-based. Addressing this requires a more standardised approach to evaluation, consistency across the organisation, and a clear, auditable framework.

## Why can organisations not manage this in spreadsheets?

Spreadsheets are not designed to support the level of governance, consistency, transparency, and scalability required for compliance.

They lack the controls needed to ensure decisions are applied consistently, tracked effectively, and supported with clear evidence.

While they may support initial analysis, they are not suited to managing ongoing compliance or maintaining a clear, auditable, and consistent framework across an organisation.

## How does the Pilat Fixed Factor scheme support compliance?

The [Pilat Fixed Factor \(PFF\) scheme](#) provides a structured, analytical approach to evaluating roles by:

- Breaking roles down into defined factors
- Applying consistent scoring criteria
- Producing evidence-based outcomes

This enables organisations to compare roles objectively, define work of equal value, and justify pay decisions clearly, supporting a consistent and defensible approach to compliance.

## Is this a one-off compliance exercise?

No.

The Directive introduces ongoing obligations, including maintaining transparency, updating evaluations as roles change, and ensuring continued consistency in how pay decisions are made.

This means organisations need a structured approach that can manage role changes within the same framework, maintain consistency over time, and support continuous compliance, rather than treating this as a one-off exercise.

## What are the risks of getting this wrong?

Organisations that are unable to justify pay decisions or address unexplained gaps may face formal joint pay assessments, increased scrutiny from employees and representatives, and potential legal challenges.

Financial penalties may also apply, depending on how the Directive is implemented at a national level, alongside the risk of reputational damage.

In most cases, the common root cause is a lack of a clear, consistent, and evidence-based framework for evaluating roles and managing pay decisions.

## Preparing for compliance?

Meeting the requirements of the Directive requires more than policy. It demands a structured, evidence-based approach. [Gauge+](#) enables organisations to evaluate roles consistently, define comparability, and justify pay decisions with a clear, auditable framework.

