



THE EU PAY TRANSPARENCY DIRECTIVE

For U.S.-based companies with EU employees, entities
or planned European expansion



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INTRODUCING THE NEW PAY TRANSPARENCY REGULATIONS

The European Union (EU) Pay Transparency Directive, adopted in 2023, will create fairer workplaces by lifting the lid on pay. For U.S.-based companies with employees in the EU — or plans to hire there — it means greater responsibility and an opportunity to strengthen global pay governance, consistency and credibility.

Even organizations without a current EU footprint should take notice, as the directive will shape hiring, compensation and reporting expectations for any company considering future expansion into Europe. All EU member states are required to transpose this directive into national law by **June 7, 2026**. For multinational and U.S.-based employers, this means preparation must begin well before that date to align systems, policies and reporting practices across regions. While each member state may include more detailed transparency requirements, beginning June 2026, companies operating in the EU must clearly show how they pay and promote employees, at a minimum. This gives everyone — current employees, job seekers and business leaders — greater access to pay information and helps strengthen overall trust.



The EU Pay Transparency Directive does not change existing EU laws on pay discrimination or employment terms. Instead, it increases transparency and reporting requirements, particularly relevant for multinational and U.S.-based employers operating in or entering the EU.





What are the key changes?

- 1 Clear salary ranges**
All employees and job seekers have the right to view clear salary ranges in job ads
- 2 No asking about previous salaries**
Avoid asking candidates what they earned before
- 3 The right to know**
Employees can now request real pay information about themselves or colleagues doing similar work
- 4 Pay objectiveness**
Employers must define, document and publish the criteria behind pay and progression
- 5 Mandatory gender pay reporting**
Many businesses will need to show their pay differences

How the directive will affect business

When pay is transparent, fairness becomes a priority. It means employees get to know how pay decisions are made and inquire about them if desired. At the same time, employers are able to build more trusting, engaged and competitive workplaces.

What the data says¹

26% of workers in the U.S. say their pay is not fair for the work they do

30% of women in the U.S. say their pay is not fair for the work they do, compared to 21% of men

28% of women surveyed say they are paid unfairly, compared to 23% of men

15/34 In 15 of 34 markets surveyed, more than 30% of women say they are paid unfairly. Men reached the 30% threshold in five markets.

Common causes of gender pay gaps



The causes of gender pay gaps can be complex and overlapping. When considering your own organization, stay alert for some of these well-documented common causes:

- **The glass ceiling** — obstacles that prevent women from moving up the career ladder
- **Sticky floors** — disadvantages that complicate progress in lower-paid roles
- **Motherhood penalty** — loss of lifetime earnings by women raising children
- **Poor representation** — leading to a lack of role models and mentors for female executives



THE BIG THEMES — WHAT'S CHANGING

Transparent recruitment

The directive transforms recruitment for employees, job seekers and HR and business leaders. The days of private salary bands and imprecise offers may soon be gone. Instead, employers are expected to share the exact pay ranges for each position so candidates know what to expect.

Additionally, salary history is now private. Employers can no longer ask about a candidate's past pay during recruitment. This change means businesses will need to pay attention to people's skills and potential, supporting fairness and reducing hiring bias.



Businesses may need to reimagine job postings, focusing on what matters to candidates and avoiding any vague language.



Helpful tips on how to write job posts

Getting your job post right is vital. Here's how to keep them clear, compliant and compelling:

- ✓ **Show the salary**
State the specific salary range upfront, avoiding any vague terminology (for example, "competitive")

- ✓ **Explain pay factors**
Briefly state what decides pay (for example, "skills and experience")

- ✓ **List total rewards**
Include bonuses, benefits and any perks that come with the job

- ✓ **Prove fairness**
Mention equal pay policies or regular pay reviews

- ✓ **Be direct**
Use clear, unambiguous language about pay, avoiding terms such as "salary negotiable" and "depends on experience (DOE)"



Closing the gaps

Transparency is more than just a compliance task — it's a chance for businesses to shape a future where fairness and progress thrive. Under the directive, companies of a certain size must publish annual gender pay gap reports, disclosing any disparities that may exist.

Employees also gain a new "right to know," letting them ask how their pay compares with colleagues in similar roles. If a gender gap of 5% or more is found and can't be justified, employers must review and take action.

Understanding pay and progression criteria

Being upfront about pay and promotions helps clarify what's expected of employees and can foster a fairer workplace.

Employers should define how pay increases and promotions work, creating a clear process instead of deciding ad hoc. Being open about these criteria can help build trust and make it easier for all parties to understand what's necessary to move forward.

When teams know what matters and what success looks like, employers can create a culture where fairness and opportunity go hand-in-hand.



Leadership communication tips



Explain how pay is set with consistent, simple language



Listen and invite questions



Reinforce your commitment to equity

When people feel that they're paid fairly, their employers are more likely to have engaged and productive teams, and lower employee turnover.



WHY IT MATTERS TO YOUR BUSINESS

The EU Pay Transparency Directive will create compliance challenges for businesses. But pay transparency is more than just compliance. It's an opportunity to transform your organization's commitments.

- ➔ **Boost reputation** — being transparent about pay and promotions indicates you value fairness and may make your business more attractive to potential job seekers, clients and partners.
- ➔ **Recruit and retain talent** — employees generally want openness, and pay transparency helps businesses attract and retain talented people.
- ➔ **Reduce risk** — staying on top of compliance helps prevent costly penalties, fines and audits.
- ➔ **Competitive advantage** — early action sets your business apart from the competition, enhancing your attractiveness as a leader in pay equity.
- ➔ **Stronger internal culture** — open pay practices help boost employee engagement, reduce staff turnover and encourage a higher-performing workplace.

“Transparency is an important and often forgotten element of closing pay gaps. Information really is power, and giving employees more information about the pay of their colleagues and for similar roles in their industries can help women gain negotiating power and narrow pay gaps over time.”

— Nela Richardson
ADP Chief Economist
Head of ADP Research





WHAT DO COMPANIES NEED TO DO?

Here's your roadmap to ensure you're on the right path toward compliance.

June 2026

Turn preparation into practice

By June 7, 2026, your business must meet the new rules and processes set out by the directive. Now's the time to start moving from preparation to action and embed these new practices across the business.

- **Improve pay practices** — review and update how you evaluate roles, set salaries and structure rewards
- **Disclose pay** — add clear salary information to every job post
- **Empower with information** — give employees access to the new "right to know"
- **Foster transparent conversations** — train managers to talk confidently and fairly about pay, progress and opportunity
- **Learn from insight** — gather and analyze your pay data so you can make informed decisions

June 2027

Share results and keep improving

Under the EU Pay Transparency Directive, companies with 150 to 249 employees must publish their first official gender gap report by June 7, 2027.

- **Share your results** — publish your gender pay gap findings and show your progress
- **Stay transparency** — update job ads and communication with the latest pay information
- **Act on what you learn** — if you spot gaps, take action and show how you're making improvements
- **Set goals for the future** — keep refining your approach so everyone in the business can benefit





MOVING EARLY MAKES ALL THE DIFFERENCE

Businesses who have acted early on pay transparency are already noticing real results. Getting ahead of the deadline and putting everything in place now unlocks new opportunities for you and your people.

Here's what early adopters are experiencing across the business:

- **Higher trust and engagement** — employees feel pay and promotion is fair, which helps boost morale
- **Faster hiring** — transparent pay means there are less obstacles, speeding up the hiring process
- **Attracting more top talent** — with clear pay practices, your business stands out from the competition
- **Better retention** — employees understand how they are rewarded and may be more likely to stay
- **Stronger employer branding** — open, fair pay builds your reputation, creating greater trust not only with employees, but also clients and partners
- **Reduced risk** — with clear pay structures comes less disputes, confusion and compliance issues



Workers who feel unfairly paid are less likely to be engaged on the job, are less likely to be resilient, are less likely to trust employer leadership and are more likely to quit.





YOUR COMPLIANCE CHECKLIST

We know there's a lot to take in, so to help we've put together a simple checklist to keep you on track:

✓ **Show salary ranges**
Ensure salary ranges are published in every job post (no secrets and less confusion for candidates)

✓ **Clear pay decisions**
Pay and promotion decisions are based on fair, documented criteria, not just manager discretion

✓ **Employee's right to know**
Any employee can ask for and receive honest, useful pay information about their role

✓ **Communicate clearly**
Make sure employees are told how pay is set

✓ **Keep accurate records**
Store your pay decisions and evaluations in case you need to show them to employees or authorities

✓ **Know your market rates**
Be ready to explain differences with up-to-date market pay data and performance records

✓ **Check your pay gap**
Run a gender pay gap report each year. If the gap is over 5% and not justified, take action

✓ **Prepare for questions**
Train your managers to talk openly about pay and fairness



RISKS AND NONCOMPLIANCE

No business can afford to ignore the directive. Doing so could lead to costly outcomes.

Businesses that don't abide by the directive may face fines and penalties, which will vary by country. These can be substantial, especially for repeat offenses.

Noncompliance could also lead to legal issues, where employees claim unfair pay or discrimination, leading to costly litigation.





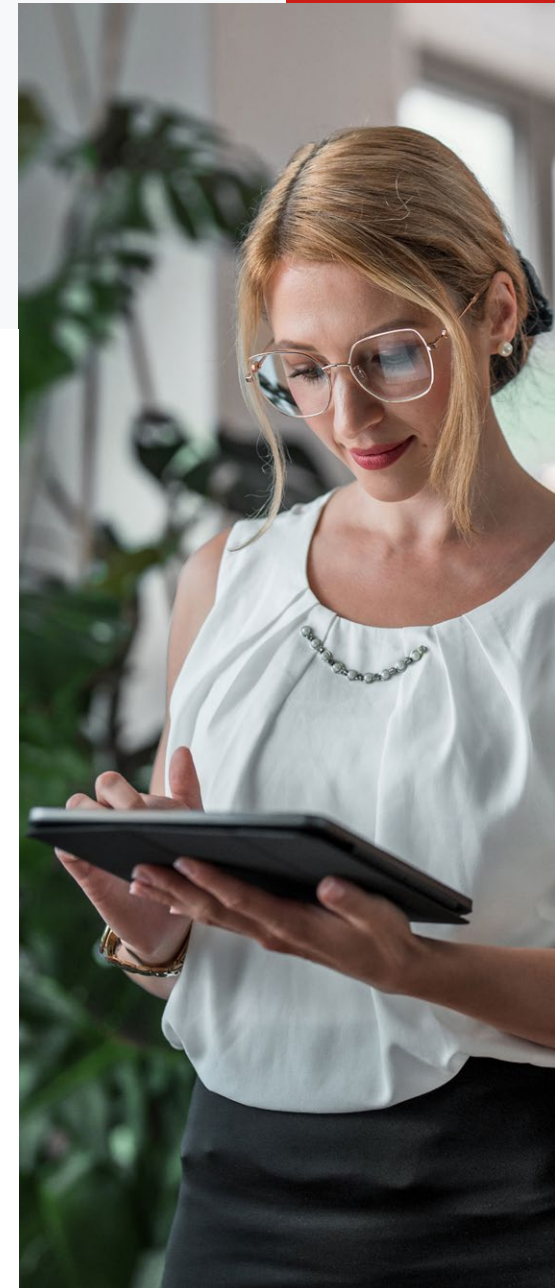
CONCLUSION — THE WAY AHEAD

The EU Pay Transparency Directive is reshaping the future of work, enabling fairer, more open and more competitive businesses. Companies that moved first are already noticing benefits, including higher trust, better performance and a stronger employer brand.

As the June 2026 deadline draws closer, now's the time to act. With the right strategy, toolkit and support, you can turn what seems like a challenge into a business advantage.

"As we've observed in previous ADP studies, it's not just about achieving baseline compliance with new laws like the EU Pay Transparency Directive. Firms need to actively prove to workers that they're rooting out unfair gender pay practices if they hope to hold onto increasingly engaged staff."

— **Corinne Carles**,
Senior Director,
Total Rewards, ADP



NEED HELP PREPARING?

The new EU Pay Transparency Directive is a major business undertaking and will change the way companies recruit, reward and engage with people.

As the 2026 deadline approaches, HR and business leaders should start looking at their pay and salary processes to ensure clarity and fairness are in place — from recruitment to promotion and beyond.

If these steps get overlooked, companies could face fines, experience damage to their reputation or risk losing valuable people. That's where being prepared really matters. **And this is where ADP can help:**



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24/7 expert support — best-practice guidance for employment matters, legislation tracking and professionally crafted HR templates to help you stay ahead of new regulations with ADP HR Everywhere.

1. ADP Research, People at Work 2025: A Global Workforce View.

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