



Workforce Decision  
Infrastructure

# EU Pay Transparency Directive

Briefing on what regulated employers need  
to know, now

Transposition deadline: **7 June 2026**.

As of May 2026, no member state has completed full nationwide transposition. Slovakia has adopted the final text (15 April 2026), which is set to enter into force on the deadline itself. Drafts are circulating in Germany, Cyprus, Poland and others, but several large economies are at real risk of missing the date. France looks unlikely to legislate before late 2026, and Sweden has signalled it does not currently intend to submit a bill at all.

**The deadline itself stands;** a late or absent national law does not remove employer exposure, it postpones and concentrates it.

**Published** | May 2026

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## What is the Directive?

**Directive (EU) 2023/970** requires all EU member states to enforce equal pay for equal work and for work of equal value through transparency.

It introduces obligations that go well beyond existing gender pay gap reporting, and although it is an EU instrument, its reach extends to many UK-anchored organisations through their EU-based people and operations, as set out below.

**This is not a future-only risk:** with the EU pay gap still around 12%, courts are already acting. In 2023 Germany's Federal Labour Court ordered equal fixed pay for a female employee versus a male comparator, and a 2025 ruling allowed higher-paid colleagues to be used as comparators in equal-pay claims.

## Does This Reach UK-Anchored Firms?

**Post-Brexit, the UK is not required to implement the Directive**, and the Directive does not bind a company simply because it is British. The reach is not about nationality or where the head office sits; it follows the workplace.

**Any organisation with EU-based employees or operations is generally expected to meet the Directive's obligations for those people**, whether they sit in an EU subsidiary, a branch, or work remotely from a member state.

**The trigger is where someone is employed, not which passport they hold:** a French national in your London office sits outside it; anyone based in your Dublin or Frankfurt operation is likely within it.

- ▶ **UK branches of European groups are squarely in frame.** Where a UK arm belongs to an EU- or Swiss-parented group, the parent and its EU entities are directly in scope. Reporting thresholds apply per legal entity and per member state: a group with 150 staff in Germany meets the German rules there, so group structure, not just total headcount, determines where obligations fall.
- ▶ **Centralised pay creates cross-border comparators** (“single source”). Where pay across entities is set by a single central body, a parent setting the reward policy for its subsidiaries, the Directive allows pay to be compared across those entities when assessing equal pay. It does not extend reporting beyond each legal employer, but it can widen who counts as a comparator in a claim. For groups running a single, centrally-governed reward framework, that is a material and often-missed exposure.
- ▶ **Swiss-parented groups are aligning anyway.** Switzerland sits outside the EU, but many Swiss-headquartered multinationals are adopting an EU-aligned job architecture across the group to avoid running multiple regimes, thereby pulling the standard through to the UK and other non-EU entities in practice.
- ▶ **Most firms will not run two pay systems in parallel.** Maintaining separate EU and UK frameworks is administratively complex and culturally inconsistent, so many organisations align their entire estates with the EU standard, and the UK is moving in a convergent direction through evolving gender pay gap reporting and transparency guidance. Work-level pay structures built now are unlikely to be wasted, whichever way UK policy lands.



## Core Obligations

<b>Gender-Neutral Job Evaluation</b>	<p>Pay structures must rest on objective, gender-neutral criteria: skills, effort, responsibility and working conditions. This requires a defensible understanding of the work actually performed in each role, not what the job title or specification says.</p>
<b>Pay Range Disclosure</b>	<p>Pay ranges must be provided to candidates before or during recruitment, and salary history questions are banned. This applies to all employers regardless of size, even sub-100-headcount entities below the reporting thresholds. Several member states go further, requiring ranges to be included in the advertisement itself.</p>
<b>Right to Information</b>	<p>Employees can request individual and average pay data by gender for their work category, and must be reminded of this right annually. Employers must respond within two months. The right covers fixed pay and variable compensation.</p>
<b>Pay Gap Reporting</b>	<p>Phased by headcount, measured per member state (not group-wide): 250+ employees report annually from June 2027 (on 2026 data); 150–249 report every three years from June 2027; 100–149 report every three years from June 2031. A gap of 5%+ in any category that cannot be objectively justified triggers a mandatory joint pay assessment with employee representatives.</p>
<b>Burden of Proof Shift</b>	<p>In pay-discrimination claims, the burden of proof shifts to the employer where transparency obligations have not been met. The employer must then prove the absence of discrimination, reversing the historic position.</p>
<b>Penalties &amp; Enforcement</b>	<p>Penalties must be “<i>effective, proportionate and dissuasive</i>.” Emerging national texts include fines of up to 1–2% of total payroll for serious breaches, and several jurisdictions reference figures of up to 4% of annual turnover. Worker compensation is uncapped (including back pay, bonuses, and lost opportunity). Some states add exclusion from public procurement.</p>

## Where the Risk Concentrates

- ▶ **Legacy job architecture rarely matches the work as done.** Grades, titles, and job families built up over the years reflect history more than current reality. The Directive requires evaluation based on actual work content, exposing the gap between the org chart and the day job - a near-universal issue.
- ▶ **Discretionary and variable pay is hardest to defend.** Bonuses, incentives and allowances are where unexplained gaps most often hide, and the right to information explicitly covers variable pay, not just base salary. Wherever managers exercise discretion over reward, that discretion must now be justifiable on objective, gender-neutral grounds.
- ▶ **“Work of equal value” crosses familiar dividing lines.** Roles with very different titles, departments or pay can count as equal value under the Directive’s criteria (skills, effort, responsibility, working conditions), cutting across divides long treated as natural (front vs back office, customer-facing vs operational). Concretely, a female senior compliance analyst could compare herself to a higher-paid male trader if the two roles score similarly on those criteria, even though they sit in different functions and pay structures. German courts have already allowed exactly this kind of cross-comparison, so it is not hypothetical.
- ▶ **It overlaps with regimes you already operate under, but is satisfied by none of them.** Regulated employers already run pay-governance and disclosure duties of their own, often across several member states with differing thresholds and gold-plating. The Directive layers on top without being discharged by any of them, and inconsistencies between what you tell a regulator and what you must now disclose to employees create their own exposure.
- ▶ **AI augmentation changes the work and, therefore, the evaluation.** As roles evolve through AI augmentation, the actual work content shifts. Job evaluation structures need to be dynamic and evidence-based, not static descriptions written years ago.



## How This Lands Across Regulated Sectors

Exposure is shaped by the pay-governance regime an employer already lives under:

- ▶ **Financial services, insurance and asset management:** the pattern is sharpest here. Gaps sit disproportionately in bonus, carry and LTIP - the hardest components to justify objectively - and the Directive sits alongside PRA/FCA, CRD/IFD, Solvency II and IFPR remuneration expectations, plus SM&CR and CSRD, without being satisfied by any of them.
- ▶ **Professional services, healthcare, pharma and other regulated employers:** partnership and lockstep models, clinical banding, shift and on-call premia, and collectively agreed structures all have to stand up as objective and gender-neutral, and “work of equal value” can link roles that these models have always treated as separate.

## Practical Next Steps

1	<b>Audit job evaluation frameworks</b> against the requirement for objective, gender-neutral criteria based on actual work content, paying particular attention to how variable pay is justified.
2	<b>Map your jurisdictions and track transposition</b> , noting where states are gold-plating and where late laws (e.g. France) create uncertainty without removing exposure.
3	<b>Pressure-test pay-data readiness:</b> can you produce gender pay gap reports by category of work using 2026 data, with defensible explanations for any gap above 5%?
4	<b>Connect AI transformation to pay architecture</b> so job evaluation keeps pace as roles change through augmentation.
5	<b>If UK-anchored, identify your EU-exposed population</b> , such as EU subsidiaries, branches and remote member-state workers, and decide whether to align one estate or two.

## A Quick Readiness Check

If you cannot confidently answer these, you likely have a gap to close:

- **Can you justify every pay decision**, including bonuses and allowances, against objective, gender-neutral criteria based on the work actually done?
- **Could you produce a gender pay gap report** by category of work, per member state, using 2026 data, and explain any gap above 5%?
- **Do you know which roles across different functions could count as “work of equal value”** and which of your EU-based people already hold these rights?

## How Clu Supports Pay Transparency Readiness

### Book a 20-minute scoping call to see if it fits your current plans.

Clu maps how work is actually structured across an organisation, from data you already hold, in days, with no system integration.

**This creates the defensible, work-level foundation the Directive’s gender-neutral job evaluation requirements demand:** which roles share genuine commonality of work (not just similar titles), where structural drift has created unjustifiable pay variation, and how AI-driven role evolution affects pay architecture over time. Every finding is auditable and non-generative.

**Note on timing:** June 2026 is the deadline for member states to legislate, not a single employer compliance cliff. But 2026 is the reference year for the reports due in June 2027, so the job evaluation structures you rely on need to be defensible now, as the data is generated. **Clu typically builds these in under 6–8 weeks.**

[Book A Discovery Call Here](#) 

## Sources and further reading

### 1. Primary source: the Directive itself:

- Directive (EU) 2023/970: full official text (EUR-Lex) <https://eur-lex.europa.eu/eli/dir/2023/970/oj/eng> The legally binding text, adopted 10 May 2023, published in the Official Journal (OJ L 132, 17.5.2023, pp. 21–44).

### 2. Official EU institutional resources:

- European Commission: EU action for equal pay [https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/equal-pay/eu-action-equal-pay\\_en](https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/equal-pay/eu-action-equal-pay_en)
- European Institute for Gender Equality (EIGE): (European Commission): [https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/who-we-work-gender-equality/european-institute-gender-equality\\_en](https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/who-we-work-gender-equality/european-institute-gender-equality_en)
- EIGE: Gender Equality Index 2025: <https://eige.europa.eu/gender-equality-index>

### 3. Practical implementation tools (official)

- EIGE: gender-neutral job evaluation and classification guidelines. Updated EU-wide toolkit presented by the European Commission and EIGE on 14 April 2026. <https://eige.europa.eu/gender-equality-index>

### 4. Case law/proof points

- German Federal Labour Court ruling (16 Feb 2023, 8 AZR 450/21), International Bar Association: <https://www.ibanet.org/new-eu-directive-equal-pay-transparency-germany>
- German court allows top earners as equal-pay comparators (2025) — Pinsent Masons / Out-Law: <https://www.ibanet.org/new-eu-directive-equal-pay-transparency-germany>

### 5. UK convergence (for UK-anchored readers)

- GOV.UK: Report your gender pay gap data (statutory guidance for employers) <https://www.gov.uk/government/publications/gender-pay-gap-reporting-guidance-for-employers/report-your-gender-pay-gap-data>
- GOV.UK: Who needs to report (per-legal-entity rule) <https://www.gov.uk/government/publications/gender-pay-gap-reporting-guidance-for-employers/who-needs-to-report>
- GOV.UK: Creating an action plan: guidance for employers <https://www.gov.uk/government/publications/creating-an-action-plan-guidance-for-employers/overview>
- Acas: Gender pay gap reporting <https://www.acas.org.uk/gender-pay-gap-reporting>

# YOU'VE READ THE INSIGHTS. NOW TURN THEM INTO DECISIONS YOU CAN DEFEND.

The structural risks highlighted in this report don't resolve themselves. **Clu is a sovereign, audit-grade decision infrastructure that regulated teams use to make consequential workforce decisions they can defend.**

Not a deck that ages out. A live evidence layer that stays accountable long after critical decisions like restructures, AI rollouts, and operating-model change are made.

## DAY 1

**Runs on the structural data you already hold**

No new instrumentation, surveys or IT projects to begin

## 2-3 WKS

**To first defensible insights, confidence-classified**

Full diagnostic in 6-8 weeks, then live as your control layer

## 100%

**audit-grade outputs - no generative guesswork**

Explain decisions to your board, regulator, & works council

Clu reads the work underpinning every role, so you know where complexity concentrates, where risk compounds, and what's safe to change before the change is committed.

### SEE THE STRUCTURE

Skill density, duplication, drift and bloat made **visible at the role level**, not the titles on top of them.

### DEFEND THE DECISION

Non-generative, deterministic AI. **Every output reproducible** from the underlying data, with three-level human oversight.

### HOLD THE LINE

Clu stays live as the **control layer** that catches drift and regression before they reappear at scale.

**Proof:** £25M+ in structural workforce risk surfaced in a single six-month engagement. 26x ROI, with the model still live as the client's control layer.

WHEN YOU'RE ASKED TO JUSTIFY THESE  
DECISIONS IN TWELVE MONTHS,  
WHAT WILL YOUR EVIDENCE BASE BE?

[Book A Discovery Call >](#)

or learn more at [getaclu.io](https://getaclu.io)

# It's time to *get a*

**This briefing synthesises publicly available reporting and industry research as of May 2026.**

Figures are drawn from the sources cited and are presented to support strategic discussion, not as forecasts.