

# A Quick Guide to the EU Pay Transparency Directive

*What it is. What it means. What you actually need to do.*

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## What Is This Directive?

The EU Pay Transparency Directive (Directive (EU) 2023/970) is a legally binding regulation that requires employers to take concrete steps to ensure and demonstrate pay equality between women and men for equal work or work of equal value, including through transparency, reporting and enforceable rights.

This isn't just a 'nice to have', it's a mandatory obligation. The Directive applies to all employers, in all sectors, across the EU.

Non-compliance can expose organisations to legal claims, financial penalties, reputational risk, and even exclusion from public procurement processes.

In Malta, the Directive is expected to come into force in June 2026, and employers should begin preparing now to avoid last-minute compliance risks.

## Key Concepts

**Equal pay** means same pay for the same work *or* work of *equal value*.

**Pay includes** all remuneration: salary, bonuses, benefits, overtime, perks, etc.

**Work of equal value** is work that is determined to be of equal value in accordance with objective, gender-neutral criteria such as skills, effort, responsibility and working conditions, among others.

**Transparency** means your pay structures must be clear, objective, and gender-neutral.

## Who Does The Directive Apply To?

The Directive applies to all employers whether public or private.

It covers all workers with an employment contract or employment relationship, including part-timers, temporary workers, platform workers, apprentices and even applicants, depending on national legal definitions.

## Legal Risks

Employees (and their reps) can bring **individual and collective claims** even after they leave the organisation.

As an employer you must be able to **prove** that any pay difference is objectively justified and there's no discrimination.

There is **no cap** on compensation and employees can claim back pay, bonuses, allowances, damages for lost opportunities, and emotional distress.

Member States must impose **fines, penalties**, and possible **public contract exclusion** for non-compliance.

## What Are The Core Requirements In Plain English?

### 1. Transparency Before Hiring

- You *must* state the starting salary or salary range in job adverts or before interviews.
- You *cannot* ask candidates about their current or past salary.
- Job titles and ads must be gender-neutral.
- Make sure your recruitment processes are fair and non-discriminatory

### 2. Transparency After Hiring

- You *must* tell employees:
  - How pay is set
  - How progression and promotions work
- These rules must be **objective and gender-neutral**, and you'll need to prove it.

### 3. Employees Can Ask for Pay Information

- Any employee can request:
  - Their own pay details
  - Average pay levels, by gender, for people doing the same or equivalent job
- You've got two months to respond, with actual figures and proper explanations.
- You can't stop people talking about their pay. No gag clauses allowed.

## Individual Transparency Rights

This is one of the most powerful (and under-appreciated) parts of the Directive.

### Your Obligations:

- Every employee can **request**:
  - Their own pay level
  - The **average pay levels by gender** for people doing the same or equal-value work
- You must:
  - Respond **within two months**
  - Provide clear, written explanations (not just data)
  - Inform staff **annually** of this right and how to exercise it
- You **cannot**:
  - Include clauses that stop people discussing their pay
  - Retaliate against employees who raise questions about equal pay

This applies to *all employers*, regardless of size.

## Reporting Obligations

Reporting obligations are based on company size.

### If you have:

**250+ employees:** Report gender pay data **every year** from 2027. First report due in June 2027.

**150–249 employees:** Report **every 3 years** from 2027. First report due in June 2027.

**100–149 employees:** Report **every 3 years** from 2031. First report due in June 2031.

**Under 100 employees:** Reporting is not mandatory under the directive but Member States have discretion to introduce additional requirements under national law.

## What Must The Report Include?

The report must include:

- Mean (Average) & median gender pay gap (overall and bonuses)
- Proportions of men and women in pay quartiles
- Gender pay gaps by job category

You'll need to submit it to the national authority and share parts of it with employees.

If your reports show a gender pay gap of 5% or more in any job category, and:

- You can't justify it with objective, gender-neutral reasons, and
- You don't fix it within 6 months...

...you are required to do a joint pay assessment with employee representatives, identifying causes, reviewing job evaluation systems, and implementing remedial measures which may include revising your pay structures and possibly making back payments.

## What Should You Be Doing Now?

### Minimum actions:

- Review and document how you set pay and manage progression
- Analyse your pay structure and carry out job evaluations
- Ensure job descriptions and titles are gender-neutral
- Train managers on equal pay obligations
- Prepare for transparency requests
- Build systems to track and report pay data by gender

### If you're under 250 employees:

- You'll get more time, but don't be complacent. The direction of travel is clear.

### If you're over 250:

- Start preparing *now* for the 2027 reporting deadline. Waiting will be costly.

## How Ready Are You?

Use this checklist to assess your readiness:

### Pay Transparency – General

- Pay structure and progression criteria are documented, objective, gender-neutral
- All job titles and ads are gender-neutral
- Recruitment processes are reviewed for bias
- No salary history is requested during hiring

### Individual Rights

- Process in place to respond to employee pay information requests within 2 months
- Annual communication sent to staff about their rights
- Staff reps trained on how to handle info requests
- Contracts and policies allow staff to discuss pay

### Reporting Requirements

- You know your reporting deadline (based on headcount)
- Systems in place to calculate and report pay gaps
- Bonus data and pay quartile data are tracked
- Plans in place to conduct joint assessments if needed

### Legal Protection & Governance

- Burden of proof procedures reviewed
- Dispute/claim process updated to include Directive rights
- HR and legal teams trained on enforcement risks
- Leadership briefed on legal, reputational, and procurement impacts





## How Can We Help You?

If you need to discuss this further or would like to engage with us on this or any other human resources management topic, contact us on [connect@novargo.com](mailto:connect@novargo.com).

## About Novargo

We are an independent human resources management firm offering end-to-end support across the full spectrum of people and organisational needs. As a one-stop partner for all things HR, we operate across three core domains: People, Culture & Organisation; Learning & Development; and Coaching.

From HR outsourcing and organisational design to leadership development, training, and executive coaching, we support the full employee lifecycle, helping businesses build capability, lead change, and unlock performance at every level.

Our work blends deep psychological insight with our knowledge of management and real business acumen, delivering tailored, systemic solutions that create value and drive lasting impact.

**People build the future. We help build the people who build the future.**

## Get In Touch

You can contact us either by email on [connect@novargo.com](mailto:connect@novargo.com) or through our website at [www.novargo.com](http://www.novargo.com).