INTERNATIONAL LABOUR LAW NETWORK **NEWSLETTER**

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INTERNATIONAL LABOUR LAW NETWORK

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Dear Reader,

Welcome to the April 2025 edition of the ILLN Newsletter.

This issue focuses on the fast-approaching implementation of the EU Pay Transparency Directive. Achieving equal pay for equal work or work of equal value has long been a central socio-political objective — yet reality continues to lag behind. The EU Pay Transparency Directive is designed to make this principle enforceable across the Union. For companies of all sizes, this brings increased transparency requirements, broader obligations, and a clear need for immediate action.

Equal pay is a core value of the European Union. Nevertheless, substantial pay gaps remain across member states. In 2023, Germany's unadjusted gender pay gap was 18%, while Luxembourg reported a reversed gap of -0.9%, with women earning slightly more than men on average. The new EU Directive aims to deliver a more effective and harmonized framework. Going forward, **pay structures across Europe must be built on objective, gender-neutral criteria — such as skills, responsibilities, workload, and working conditions.**

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In our newsletter, we take a closer look at how the Directive is being implemented across the different member states. Our contributors from Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Spain, Sweden, Switzerland, and the United Kingdom offer valuable insights into the current state of implementation and the practical steps employers should take now.

We hope you enjoy reading it.

THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

BELGIUM

Implementation of the EU Pay Transparency Directive: What Employers Need to Know

The Pay Transparency Directive addresses long-standing shortcomings identified by a 2020 evaluation of Directive 2006/54/EC. The report highlighted the lack of transparency in pay systems, the vagueness of the definition of "work of equal value," and the procedural barriers faced by victims of discrimination. The COVID-19 pandemic has exacerbated these gender inequalities, with a disproportionate impact on women, particularly those in undervalued, low-paid sectors.

The Directive sets minimum standards to ensure that employers eliminate gender pay discrimination. Its key objectives include clearly defining key concepts, requiring transparent pay structures, introducing mandatory reporting measures, and strengthening enforcement to protect workers' rights.

Key Requirements for Employers

1. Scope and Definitions

- All workers, including temporary, part-time, agency, and platform workers, are covered by the Directive.
- Pay includes basic pay and additional or variable elements such as bonuses, overtime pay, and other benefits.

2. Pay Transparency Measures

- **Hiring Transparency**: Employers must disclose the salary or salary range for vacancies in advance and use gender-neutral job titles and recruitment processes. Asking about a candidate's previous salary is prohibited.
- **Employment Transparency**: Employees can request written information about their pay and the average pay for comparable positions, with employers obliged to respond within two months. Annual notification of these rights is mandatory.

3. Reporting Requirements

- Companies with more than 100 employees must report on gender pay gaps, including base pay and variable pay, median gaps, and proportions of women and men in different pay quartiles.

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- Reporting frequencies vary: annually for employers with 250+ employees from 2027, and every three years for smaller companies.

4. Joint Pay Assessments

- Employers must carry out joint assessments if the gender pay gap exceeds 5% without justifiable, gender-neutral explanations, or if it remains unresolved after six months.

Enforcement and Remedies

- Employers face comprehensive remedies and penalties for non-compliance, including mandatory pay audits, adjustments, and significant fines.
- Full compensation for victims includes back pay, bonuses, non-material damages, and overlapping discrimination cases.
- The burden of proof is fully shifted to employers who fail to comply with transparency obligations.

Practical Steps for Employers to Prepare

Employers should be proactive to ensure smooth compliance:

- **Categorize Job Roles**: Identify comparable roles and ensure objective, gender-neutral classification.
- **Collect and Analyse Data**: Conduct internal pay audits, analyse discrepancies, and document justifiable factors.
- **Revise Recruitment Processes**: Update job postings to be gender-neutral, disclose pay transparently, and train recruitment teams.
- **Enhance Transparency Internally**: Clearly communicate pay criteria and progression opportunities, removing confidentiality clauses that hinder pay discussions.
- **Develop Training Programs**: Train HR and management teams on gender-neutral job evaluation, equal pay principles, and legal compliance.
- **Plan Reporting Procedures**: Set up robust reporting systems to meet transparency requirements and track improvements.

Early Adoption and National Variances

Some EU countries have already begun to incorporate these standards into national legislation, demonstrating the flexibility of the Directive. Employers should closely monitor national implementation processes to understand specific legal obligations and potential variations in enforcement and sanctions.

Impact on Business

The implementation of the Pay Transparency Directive will bring about significant changes:

- **Reduced Pay Gaps**: Transparency tends to reduce gender pay gaps.
- **Adjustments to Pay Structure**: A shift towards clearly defined pay scales can change pay dynamics.
- **Employee Satisfaction**: Transparent pay processes generally increase employee satisfaction but may reduce the motivational effects of performance-related pay.

Employers need to see this Directive not just as a compliance burden but as an opportunity to promote inclusiver workplaces, that enhance both fairness and organisational reputation.

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

FRANCE

Will the EU Directive on Pay Transparency lead to the End of the Pay Taboo in France?

EU Directive 2023/970 of May 10, 2023 on pay transparency must be transposed into French law by June 7, 2026.

On March 10, 2025, Labour Minister Astrid Panosyan-Bouvet launched a consultation phase, with a draft bill expected in September.

Still largely under the radar, this directive could bring about a major cultural shift in France: the end of secrecy around salaries.

A solid but underperforming legal framework

France already has a comprehensive legal structure on gender pay equity.

The principle of equality between women and men is set out in the 1946 Constitution.

Since 1973, the French Labour Code has guaranteed equal pay for work of equal value and defines the concept of equal work.

Companies with at least 50 employees are subject to specific obligations.

- The Social and Economic Committee (CSE) – the French Works Council - must be consulted annually on pay policy and gender equality.
- Companies with unions must initiate negotiations on professional equality between men and women, focusing on eliminating pay gaps. If negotiations fail, in the absence of a collective bargaining agreement, the employer has the obligation to set up an annual action plan designed to ensure professional equality between women and men. In the absence of an agreement or action plan, companies are subject to a penalty.
- Companies must publish a Gender Equality Index, it being specified that low scores trigger the obligation to implement appropriate and relevant corrective measures

It should also be noted that:

- Publicly listed companies must disclose pay gaps between executives and the median employee salary.

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- Companies with over 1,000 employees must reach 30% women and 30% men in executive and governing roles by March 2026.

Yet despite this framework, pay gaps persist. The High Council for Equality (*Haut Conseil à l'Egalité*) and the Court of Auditors (*"Cour des comptes"*) have questioned the impact of these tools, often seen as tick-box exercises.

From Opacity to a Culture of Transparency

The directive is a real game changer by aiming to do what French law hasn't yet achieved: lift the veil on pay and break a long-standing cultural taboo.

It targets companies with 100+ employees — though France may lower this threshold to 50.

The key changes entailed by the directive are the following:

- Recruitment: job offers must include the salary or pay range. Asking for a candidate's current salary will be banned.
- Clear, objective, and gender-neutral pay criteria must be made available to employees.
- Right to transparency: employees can request how their salary compares to the average, by gender and category, for equal-value work.
- Mandatory reporting on gender pay gaps.
- For unjustified pay gap ≥ 5%, employers will have to take immediate corrective measures or implement a joint pay assessment with staff representatives. This concept of joint pays assessment is a real innovation for France.

Act now: transparency is coming, whether you're ready or not

Companies should get ahead of the curve, by implementing the following measures as soon as possible:

- Conduct a pay audit and revisit salary structures with clear, objective criteria.
- Identify and explain discrepancies, with solid, transparent justifications.
- Update job offers to reflect market standards and upcoming legal obligations.
- Establish an internal procedure for handling requests relating to remuneration.
- Strengthening the link between pay and performance assessment.
- Train HR teams and managers to engage openly and constructively around pay.

Companies should also seize this opportunity to make pay transparency a strategic lever not only to mitigate the risk of discrimination litigation but also to strengthen the company's brand image.

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

GERMANY

Equal pay for equal work or work of equal value has long been a key socio-political goal — but the reality still falls short. The EU Pa Transparency Directive aims to make this principle enforceable across the Union. For companies of all sizes, this means greater transparency, expanded obligations, and a pressing need to act.

Equal Pay as a Core EU Principle

Equal pay is a fundamental value of the European Union. Nonetheless, significant pay gaps persist across member states. In 2023, Germany's unadjusted gender pay gap stood at 18%, while Luxembourg recorded a reverse gap of -0.9%, with women earning slightly more than men on average. In Germany, this disparity is driven by a range of factors like a lack of childcare infrastructure. The German Pay Transparency Act of 2017 brought only limited progress. The new EU Directive is intended to be more impactful, ensuring a more consistent approach.

Implementation in Germany

The implementation deadline is June 7th, 2026. Political developments, including Germany's federal election in February, have delayed legislative progress. Although the Directive is not yet addressed in the current government's agenda, however a draft bill is expected in 2025. In the meantime, German companies must begin preparing based on the existing EU Directive.

Fair and comprehensible remuneration systems

Going forward, pay structures must be built on objective, gender-neutral criteria — such as skills, responsibilities, workload, and working conditions. This obligation also applies to companies bound by collective bargaining agreements, which must review and, if necessary, revise their remuneration models.

What can companies expect?

- **Pay transparency prior to employment**: Employers will be required to disclose starting salaries or salary ranges during the recruiting process.
- **Transparency in pay setting**: Companies must clearly outline the criteria used to determine pay levels and career progression.
- **Right of information**: Employees will have the right to receive information about average pay

GERMANY

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levels within comparable roles. Employers must proactively provide this data on an annual basis — a notable shift for German employers.

- **Reporting obligations**: Companies with 100 or more employees will face new reporting duties on gender pay gaps. For employers with 250 or more staff, these obligations will first apply to reporting year 2026. Smaller companies will follow in subsequent phases. By then, broad-based pay equity should be in place.
- **Joint pay assessment**: If a company reports an unjustified gender pay gap exceeding 5%, it will be required to carry out a joint pay assessment together with employee representatives (e.g. the works council).
- **Sanctions and burden of proof**: The Directive introduces significant enforcement mechanisms, including the possibility of representative and class action lawsuits — a first for Germany. Moreover, it shifts
- the burden of proof in cases of non-compliance, making it easier for affected employees to bring claims.

Implementation Challenges

Implementation will be both complex and resource-intensive. Companies must thoroughly analyze their internal processes, adapt remuneration structures, and ensure documentation is fully compliant. A crucial first step is conducting internal due diligence to identify any need for adjustment.

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

ITALY

Directive (EU) 2023/970 on Pay Transparency: Italy's Road to Implementation

Directive (EU) 2023/970 aims to strengthen the application of the principle of equal pay between men and women in the EU zone. Under the Directive, EU Member States are expected to incorporate into their national legal systems:

(i) obligations for employers to be transparent about pay criteria, even during recruitment, and in the course of the employment;

(ii) simplified rules of evidence and a reversal of the burden of proof in cases of pay discrimination;

(iii) requirements for large companies to submit an annual report on pay gender equality to the relevant Labour Authorities;

(iv) sanctions in cases of gender-related pay disparities.

Each State has until 7 June 2026 to transpose the Directive into national law.

In Italy, the provisions of the Directive will fit within a legal framework that is already attentive to gender equality issues, but which will nonetheless require some adjustments.

Since 1947, Article 37 of the Italian Constitution has stated that "Women have the same rights and, for equal work, the same pay as men".

Legislative Decree no. 198 of 11 April 2006 (the so-called "Code of Equal Opportunities" or "CEO") already regulates many of the measures introduced by the Directive.

Article 28 of the CEO provides that "A female worker is entitled to the same pay as a male worker for the same work or for work of equal value" stressing the principle of equal pay for equal work, as reaffirmed by the Directive and by Article 157 of the TFEU even before.

Under Article 46, paragraph 1-bis of the CEO, Italian employers with more than 50 employees — a threshold lower than the one set by the Directive — are already required to submit a periodic report to the Ministry of Labour. This report includes an analysis of gender pay equality. However, this obligation is currently biennial, whereas the Directive requires an annual report.

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Employees benefit from simplified rules for proving gender pay discrimination: under Article 40 of the CEO, discrimination can be proven based on simple presumptions, even inferred from statistical data, which then shift the burden of proof onto the employer.

Pay equality is also promoted as a KPI for obtaining the "Gender Equality Certification" according to Article 46-bis of the CEO and UNI/PdR 125:2022. This certification, which employers may apply for on a voluntary basis, grants them access to reductions of social security contributions and to bonus points in public tenders.

Despite the existing framework, there is still some work to do to fully implement the Directive within the Italian legal system. By adopting the EU Delegation Law no. 21/2024, the Italian Parliament has established the first guidelines that the Government must follow in issuing the implementing decree. Under this decree, the Government will:

- extend pay transparency obligations to "a broader range of employers", beyond those currently required to submit the biennial report to the Ministry of Labour;
- introduce pay transparency obligations even during the recruitment phase;
- "identify indexes and methods" to calculate the value of the work performed by any employees, so that they can be compared across roles and duties — a task to be carried out with the full involvement of the social parties and the relevant Trade Unions.

The Government will also check if automatic systems can extract the gender pay information from existing administrative data sources — such as the monthly data flows between employers and the Italian Social Security Institute — as a way to reduce administrative burdens for companies and help employees to verify their own pay equality conditions.

These are the main news expected in Italy from now to the Directive's transposition deadline of 7 June 2026. Upon getting such new rules, the real challenge will be turning pay transparency and equality from legal obligations into everyday workplace practice.

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

LUXEMBOURG

Preparing for the EU Pay Transparency Directive: What employers should know

On 10 May 2023, the European Parliament and the Council adopted Directive (EU) 2023/970 on strengthening the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms (the "Pay Transparency Directive"). This marks a major development in EU employment law, aiming to close the persistent gender pay gap across Member States. The Directive introduces binding transparency obligations and enhanced enforcement tools.

The Directive introduces several key obligations for employers, including:

- **Transparency during recruitment**: Employers must indicate the salary range in job advertisements and are prohibited from inquiring about candidates' salary history.
- **Employee rights during employment**: Employees will be entitled to request information regarding their individual pay level and average pay levels for roles of similar value, broken down by gender.
- **Pay gap reporting**: Employers with at least 100 employees must report on gender pay gaps. Gaps of 5% or more must be objectively justified; otherwise, joint pay assessments with employee representatives must be conducted.
- **Reversed burden of proof**: In pay discrimination cases, the burden of proof will lie with the employer.

Where does Luxembourg stand?

As of today, Luxembourg has not published a draft law to transpose the Directive. EU Member States are required to implement the Directive into national law by 7 June 2026. However, given the scope of the obligations and potential reputational risks, employers are strongly encouraged to begin preparations well ahead of time.

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Recommended next steps for employers:

In anticipation of the Pay Transparency Directive's implementation, employers in Luxembourg should consider the following preparatory steps:

- Conduct internal pay audits to identify categories of workers and potential gender pay gaps.
- Adapt HR and payroll systems to support gender-based pay analysis and reporting.
- Review and update recruitment, performance evaluation and compensation policies and procedures to ensure alignment with gender-neutral and transparent criteria.
- Train HR personnel and managers on pay transparency requirements and best practices.
- Establish internal procedures to handle employee pay information requests or to conduct joint pay assessments with staff representatives, if/where required.

Early compliance with the Pay Transparency Directive not only ensures legal readiness but also strengthens employers' ESG commitments and fosters greater trust and engagement among employees. A proactive approach will be key to navigating this upcoming legal transformation.

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

THE NETHERLANDS

Dutch Draft Act for the Implementation of the European Pay Transparency Directive

On 26 March 2025, the Dutch government published a draft bill to implement the European Pay Transparency Directive (EU) 2023/970 (the Directive). The Dutch implementation proposal is therefore not yet law and is currently open for public consultation until 7 May 2025.

In the explanatory memorandum, it is noted that significant inequalities between men and women still exist in the Netherlands, including pay gaps and pension disparities.

Dutch Approach to Implementation

The Directive will be implemented through amendments to various existing national laws, including:

- The Equal Treatment of Men and Women Act
- The Works Councils Act
- The Allocation of Labour through Intermediaries Act

The main obligations for employers are:

1. Objective pay structures
2. Transparency obligations
3. Reporting obligations (for employers with ≥100 employees)
4. Pay evaluation obligations (for employers with ≥100 employees)

Role of the Works Council

The draft act implies that for companies with 50 or more employees, the existence of a works council is a prerequisite for complying with certain obligations under the Directive. Companies that – in violation of the Works Councils Act – do not have a works council will consequently be in breach of the Directive, which may result in a reversal of the burden of proof in favor of the employee.

Legal Proceedings

In deviation from the standard rules in legal proceedings, the court may order the employer to pay the legal costs even if the employee loses the case. The aim is to make legal action as accessible as possible for employees.

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Labour Inspectorate

To ensure proper enforcement of the Directive, the Dutch Labour Inspectorate will be granted supervisory and enforcement powers. Non-compliance with the Directive may result in a fine of up to EUR 10,300 (amount for 2024).

Expectation

It is expected that the Dutch implementing legislation will enter into force immediately on 7 June 2026.

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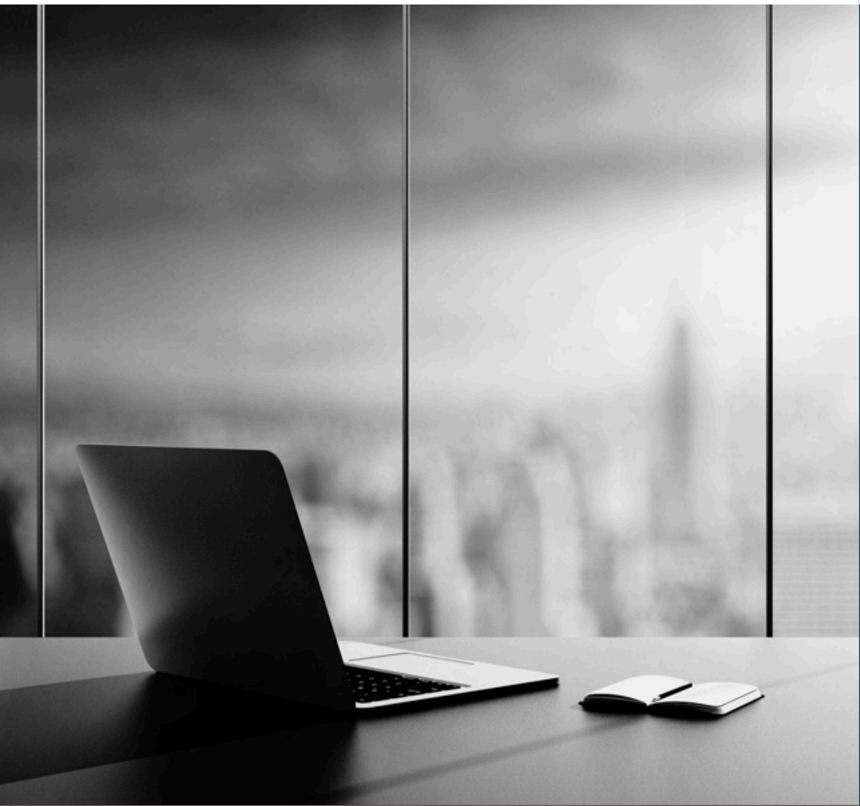

THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

POLAND

Poland, being a member of EU since 2004, is obliged to implement the EU Pay Transparency Directive. As in other countries, the same general rules and guidelines apply. But having in mind the creativity of local politicians and upcoming presidential elections, we can expect that in some areas, polish provisions will go beyond the required minimum of the EU Pay Transparency Directive.

Implementation in Poland – status as of April 2025

As in other EU countries, the implementation deadline is June 7, 2026. However, as of April 2025, the proper legislative process hasn't started yet. According to the declaration of the ministry responsible for labour issues in Poland, it is possible that the government has already prepared a draft of the legislation on Pay Transparency. It will be presented in autumn 2025 so that the Parliament can start working on it by the end of 2025. As of today, no radical political changes are expected, the EU Pay Transparency law should be implemented in Poland on time or even before the deadline.

So-called "small implementation"

In December 2024, a group of members from the ruling party submitted a proposal to the Parliament to implement a "small act" on the EU Pay Transparency Directive. However, as this project was only a translation of some provisions of the EU Pay Transparency Directive, it was substantially shortened and only one article remained – amendment to the polish Labour Code. This amendment introduces the obligations resulting from Article 5(1) of the EU Pay Transparency Directive – applicants for employment shall have the right to receive, from the prospective employer, information about: the initial pay or its range, based on objective, gender-neutral criteria, to be attributed for the position concerned and where applicable, the relevant provisions of the collective agreement applied by the employer in relation to the position. Parliamentary proceedings are expected to be completed by the end of May 2025. Taking into account the planned 6-month vacatio legis period, this provision should enter into force by the end of 2025.

POLAND

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Recommendation for employers in Poland

The wording of the draft act on implementation of EU Pay Transparency Directive will be known in the second half of 2025. Nevertheless, it is already a good time to start internal preparations among employers in Poland, in relation with the upcoming new obligations. At the current stage, recommended actions are to gather all of the data on pay and benefits being offered by a given employer, run statistical analysis and prepare the organization to address this challenge. The time for legal work will come in the second half of 2025.

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

SPAIN

In recent years, both the European Union and its Member States have strengthened the legal framework to promote effective equality between women and men in the workplace.

In Spain, this legal framework has been reinforced by requiring, since March 2022, all companies with 50 or more employees to develop an equality plan and a pay audit. Currently differences of 25% or more need to be justified and corrected and the equality plans need to be registered and published in a public registry.

In this regard, failure to prepare or implement the equality plan, when mandatory, may result in fines of up to €225,018, depending on the severity and or size of the company.

However, despite legislative progress, the gender pay gap in the Union persists. In Spain specifically, the latest data indicate that women earn, on average, €5,212 less per year than men, which represents a pay gap of 18.36%.

For this reason, in May 2023, the European Parliament approved Directive (EU) 2023/970, concerning the principle of equal pay between women and men for equal work or work of equal value, **which must be transposed into Spanish law before June 2026.**

This Directive aims to reinforce the legal framework to guarantee equal pay between men and women for the same work or work of equal value. Main relevant provisions for companies:

- Companies must ensure that their pay systems are transparent and based on objective and gender-neutral criteria. In addition, employees have the right to request information on pay levels broken down by gender for professional categories performing equal work or work of equal value. Furthermore, companies with more than 250 employees are required to publish data on the pay gap between men and women.
- Companies with more than 100 employees must conduct regular pay audits to identify possible inequalities and take corrective measures. These audits must include detailed analyses of pay structures and their impact on

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gender equality, including explanations for pay differences greater than 5% that are not objectively justified.

- It is prohibited to request information about candidates' previous salary history during recruitment processes. Likewise, employers must provide clear information about the salary ranges associated with vacancies before employment begins.

- Legal mechanisms are provided to enable employees to claim equal pay. In cases where pay discrimination is suspected, the burden of proof will fall on the company, not the employee.

The Directive reinforces elements already present in Spanish law but requires going further in terms of transparency and accountability. The Government is expected to update the regulatory framework for equality plans and pay audits to adapt them to these requirements, although no draft has been published to date.

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

SWEDEN

The Pay Transparency Directive was adopted in May 2023 and shall be implemented by 7 June 2026. The Directive aims to strengthen the principle of equal pay for equal work or work of equal value between men and women. This will be achieved by increasing pay transparency, establishing minimum requirements for the prohibition of pay discrimination etc.

In Sweden, the Government has appointed an Inquiry, which has proposed what changes are required to implement the Directive in Swedish legislation. The Inquiry's report (SOU 2024:40) is now further assessed by the Government. In short, the Inquiry proposes the following changes.

Pay structures ensuring equal pay for equal work

Under the Directive, Member States shall take measures to ensure that employers have pay structures providing equal pay for equal work or work of equal value. In Sweden, all employers must conduct a pay survey (annually), which ensures that employers have such pay structures.

Pay transparency

To ensure pay transparency, the Inquiry proposes introducing a new chapter – 3 a – in the Swedish Discrimination Act. The pay survey will serve as a backbone for the transparency rules and the aim is to enable employers to make use of the information in the pay survey to provide individuals with the information they are entitled to. A well-executed pay survey will thus help to both detect unjustified gaps in pay but also to provide information on pay transparency.

Information to job applicants and employees

Under the Directive, job applicants and employees have the right to certain pay transparency. The thought is to combat gender-based pay discrimination, mainly by providing employees with information enabling them to assess if they are being subjected to pay discrimination or not. This will be ensured by employers e.g. being obligated to:

- provide information to job applicants on the initial salary (or salary range) and collective agreement provisions applicable on the position;

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inform the employees of norms and practices for wages applied by the employer; and

- at the request of an employee, provide information on their individual pay level and the average pay levels (broken down by gender) applied to other employees performing the same work or work of equal value.

Employers will also be prohibited to ask an employee about their pay history and prohibited to prevent employees from sharing information on their pay to others.

Pay survey adjustments

The pay survey is proposed to expand to include a comparison between women's and men's pay progression in connection with parental leave and it is also proposed that employers with at least ten employees should produce a written pay survey.

Reporting

Employers with at least 100 employees should regularly report on (i) pay that includes information on differences in pay between women and men performing the same work or work of equal value; and (ii) if there is a difference of at least five percent in pay level between men and women, the reasons for the difference or the measures to address these differences, should be reported. Reports should be submitted to the Equality Ombudsman.

Other changes

The Inquiry has also proposed expanded obligations to consult with trade unions, new rule on allocation of the burden of proof, a new statutory limitation period of three years for claims concerning equal pay and two new forms of penalty (i.e. penalty fee and damages).

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

SWITZERLAND

The Directive (EU) 2023/970 of the European Parliament and of the Council (**EU Wage Transparency Directive**) does not apply to Switzerland as it is not a member of the European Union. In recent years, however, there have been several parliamentary attempts to introduce transparency requirements similar to those in the EU, but these have been rejected. It remains to be seen whether the obligations of the EU Wage Transparency Directive will influence Swiss law in the future.

The current legal situation regarding pay transparency in Switzerland is as follows:

While equal pay for men and women must be respected, there are no transparency requirements for companies in Switzerland for private sector employment as set out in the EU's Pay Transparency Directive (except as set out below). This means that job applicants have no right to know the starting pay level/salary band for an advertised job, and employers are not required to regularly disclose gender - disaggregated information on how pay is set, progressed and managed, or on their promotion and progression criteria.

The question of whether employers may ask about an applicant's previous salary during the application process is governed by general data protection principles under Swiss law. The prevailing view is that employers are not allowed to do so. In practice, however, the question is often asked because the consequences are rather hypothetical. If such a question is asked, the candidate is under no obligation to answer. Whether the candidate can answer with a 'white lie' is controversial.

Like many EU member states, Switzerland enacted its own rules on equal pay and pay transparency years ago:

- From 2021, companies with 100 or more employees are required to carry out an equal pay analysis. Companies are only obliged to repeat the analysis (after four years) if the first analysis revealed a relevant gender pay gap (>5%). Most importantly, the law will automatically expire in 2032. If a company exceeds 100 employees for the first time during the term of the law, it must carry out

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the analysis and repeat it if it fails the test. The results of the equal pay analysis (but not the individual salaries) must be published to employees and shareholders (only for listed companies). There are no direct legal sanctions under the Act for employers who do not carry out the analysis at all (apart from reputational risks). For those who do carry out the analysis, the risk lies in transparency.

- Further transparency requirements regarding gender equality apply to the largest listed companies in Switzerland: Unless each gender makes up at least 30% of the board of directors and 20% of the executive board, the company must indicated the following in their yearly remuneration report: (i) the reasons why genders are not represented as required; and (ii) the measures being taken to increase representation of the less well represented gender.

- All listed companies must provide information on the salaries of the board of directors and the executive board in their yearly remuneration report, although they are not obliged to differentiate by gender for the executive board.

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THE EU PAY TRANSPARENCY DIRECTIVE – THE COUNTDOWN IS ON

THE UNITED KINGDOM

While the UK remains bound by EU laws that were retained prior to Brexit, it is no longer obliged to follow new EU laws, including the EU Pay Transparency Directive. This means that **UK employers are not required to adopt the provisions of this directive. However, UK employers with operations in the EU will need to comply with the directive's requirements in those jurisdictions.**

In the UK, pay transparency primarily focuses on gender pay gap reporting and equal pay laws rather than comprehensive pay transparency. Since 2017, UK employers with 250 or more employees must publish annual gender pay gap data. This involves reporting on metrics such as the mean and median gender pay gap, gender proportions in pay quartiles and the bonus pay gap. More recently, the UK government has launched a consultation to introduce mandatory ethnicity and disability pay gap reporting for UK employers with 250 or more employees. This proposal is to adopt the same requirements as gender pay gap reporting. The consultation was published on 18 March 2025 and closes on 10 June 2025. This will be considered when debating the forthcoming Equality (Race and Disability) Bill.

Equal pay laws in the UK are primarily governed by the Equality Act 2010, which requires equal pay for men and women performing the same or similar work, or work of equal value. This means that an employer must not pay someone less based on sex if they are doing the same or similar job or if their job has been assessed as having the same value. Equal pay law applies to an individual's salary, pension, working hours, holiday, sick and redundancy pay, overtime, bonus and benefits.

Additionally, the UK government has introduced pilot schemes encouraging salary transparency in job advertisements to address pay inequality at the recruitment stage. These initiatives aim to create a fairer hiring process and reduce pay disparities at the start of employment, however, they are not mandatory.

Although the UK is not bound by the EU Pay Transparency Directive, the directive's strict requirements may influence UK practices and increase pressure on the UK government to enhance its own pay transparency regulations, ensuring that UK employers remain competitive and compliant with evolving international standards.

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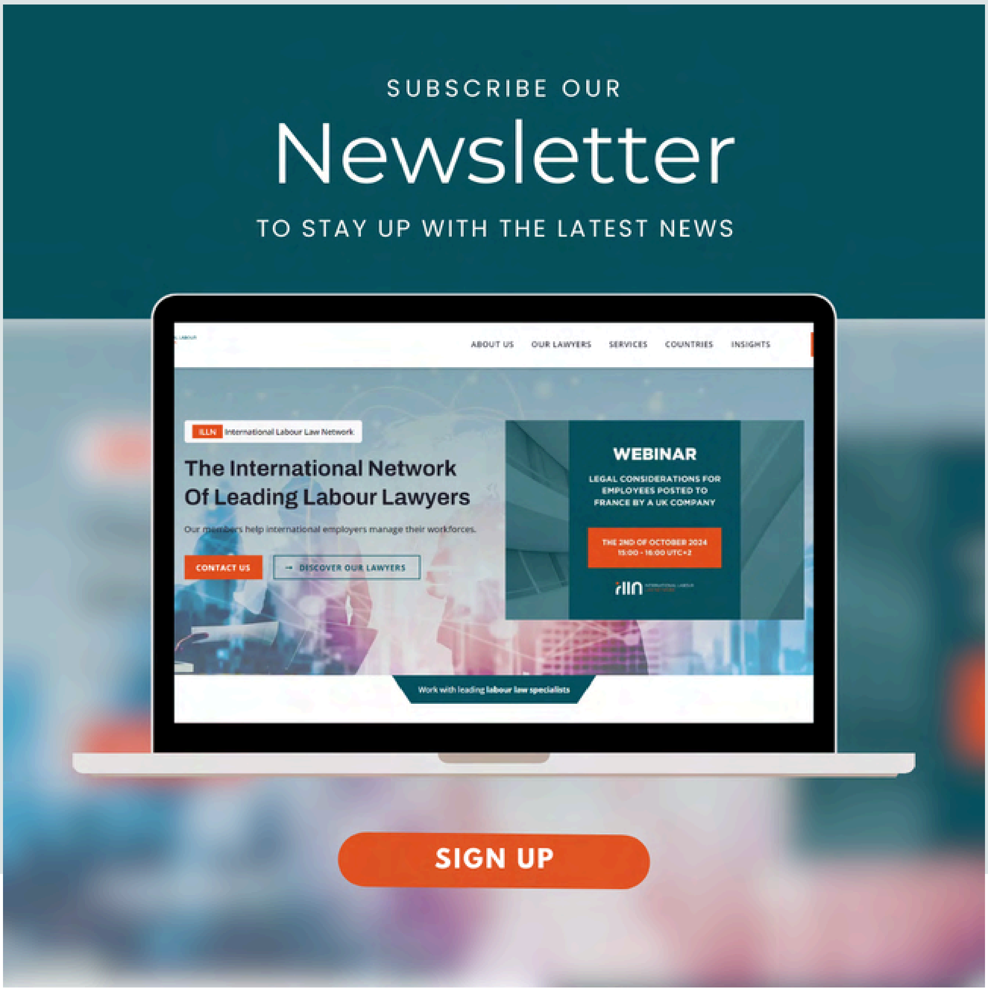

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