



EU Pay Transparency Directive:

**What it Means for Cross-
Border Hiring and Mobility**

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The EU Pay Transparency Directive (Directive (EU) 2023/970)¹, adopted in 2023, is intended to strengthen equal pay for men and women performing work of equal value across EU Member States.

The Directive introduces new transparency requirements that apply both before hiring and throughout the employment relationship. These include disclosing salary ranges to job applicants, prohibiting questions about prior salary, and giving employees the right to request information about their own pay and average pay levels for comparable roles, broken down by gender.

Employers with at least 250 employees are also required to report on gender pay gaps and take corrective action if an unjustified gap exceeds 5%. These requirements apply to all employees working in the EU, regardless of nationality, place of residence, or contract structure; foreign local hires and expatriate employees are fully within scope. Member States must implement the Directive into national law by June 2026, with the first annual pay gap reports due in 2027, based on 2026 data.

Why the Directive Matters

Despite decades of equal pay legislation, the European Commission² continues to report a persistent EU-wide gender pay gap of approximately 11%-13%. Numerous evaluations of earlier frameworks concluded that limited transparency, and reliance on individual enforcement, made disparities difficult to identify and even harder to challenge.

The Directive reflects a policy reset: mandating disclosure, standardizing reporting, and placing greater responsibility on employers to demonstrate that pay differences are objective, justified and gender-neutral.²

Cross-Border Recruitment: A New Pay Transparency Baseline

For multinational employers, the Directive fundamentally reshapes how talent is recruited into the EU.

Salary ranges must now be disclosed early in the hiring process, giving all candidates equal visibility into compensation expectations. Employers can no longer base offers on a candidate's prior salary or home-country benchmarks. Instead, pay must reflect the objective value of the role within the host-country labor market.

While this supports fairness and consistency, it may challenge traditional cross-border hiring models. Organizations that previously relied on regional wage differentials may see upward pressure on compensation, particularly in higher-wage markets. At the same time, greater transparency is likely to encourage candidate mobility, intensifying competition for skilled talent across Member States.





Expatriate Compensation Under Greater Scrutiny

The Directive also brings expatriate and mobile employee compensation into sharper focus through its broad definition of “pay.” Beyond base salary, this includes housing allowances, cost-of-living adjustments, relocation benefits, tax equalization, and expatriate premiums.

Historically treated as bespoke or outside local comparability, these elements will now appear in internal pay gap analyses. Any differences between expatriate and local compensation must be justifiable using clear, objective, and gender-neutral criteria.

As pay visibility increases, organizations should also anticipate employee relations implications. Without well-documented mobility frameworks, differences between domestic and mobile compensation may raise questions about internal equity, morale, and—ultimately—compliance risk.

Talent Mobility Within the European Union

Over time, mandated disclosure is likely to influence talent flows across Europe. Published salary ranges give employees greater insight into compensation opportunities by location, supporting more informed relocation decisions and potentially accelerating movement toward higher-paying markets.

For employers, this transparency removes certain cost advantages associated with international hiring. Organizations located outside major wage centers may face increased pressure to raise salaries, enhance benefits, or differentiate roles to remain competitive in an environment where pay information is widely accessible.

Compliance Complexity in a Multi-Country Environment

While the Directive establishes a common EU framework, implementation will be driven at the national level. Member States are expected to layer their own thresholds, enforcement mechanisms, and procedural requirements onto the core rules.

For global employers, this creates added complexity—particularly around defining “pay” consistently across jurisdictions, where treatment of benefits, pensions, long-term incentives, and

allowances may vary. Notably, any organization employing individuals in the EU must comply, regardless of where it is headquartered.





As a result, many employers are already reassessing compensation models, investing in unified reporting systems, and strengthening governance to withstand both regulatory and employee scrutiny.



National Variations: What Employers Are Seeing Across Europe

While the Directive³ establishes a common EU framework, implementation risk is driven by national layering, not EU-level rules alone. Member States with mature pay-equity regimes, such as France and the Nordic countries, are expected to layer stricter thresholds, enforcement mechanisms, and worker-representation requirements onto the baseline rules. By contrast, countries with limited legacy legislation face compressed implementation timelines and steeper organizational learning curves as transparency obligations are introduced for the first time.

The table below highlights how these differences are beginning to emerge across key European regions:

Country Region	Status & Key Impact
 Western/ Northern Europe	<p>France⁶: As of March 2026, a preliminary draft bill has been circulated that would retain a 50-employee threshold for pay-gap reporting—stricter than the Directive’s 100+ employee baseline—alongside stronger sanctions, enhanced enforcement, and expanded involvement of works councils. Given France’s existing gender pay index requirements, these measures are expected to reinforce and formalize current frameworks rather than introduce structural change.</p> <p>Nordics (e.g. Sweden, Finland): These countries are similarly extending mature transparency frameworks. In Sweden, draft provisions align closely with the long-standing pay-mapping system applicable to firms with more than ten employees, reflecting a continuation of established pay-equity governance rather than a departure from existing norms.</p> <p>Across Western and Northern Europe, awareness of pay transparency obligations is high, and cultural resistance to increased disclosure remains limited.</p>
 Central/ Eastern Europe (CEE)	<p>Poland: Early implementation includes mandatory salary range disclosure in job advertisements from December 2025, with broader gender pay-gap reporting legislation currently in progress.</p> <p>Romania & Slovakia: Both countries are in the process of drafting national legislation to meet the Directive’s 2026 transposition deadline.</p> <p>In many CEE countries, limited prior pay-transparency requirements mean the Directive marks a significant shift in hiring norms, necessitating substantial employer education and operational adjustment.</p>
 Southern Europe	<p>Italy, Spain, Portugal: Legislative activity has been more limited to date, with no major pay-transparency regimes in force as of mid-2025. As a result, these countries face compressed timelines to enact national legislation by 2026.</p> <p>For employers, the impact on recruitment and compensation practices is expected to be more pronounced, particularly where salary range disclosure has not historically been standard. As national laws are finalized, new compliance obligations are likely to emerge, including mandatory pay range postings and enhanced gender pay-gap audits to meet the Directive’s requirements.</p>
 Outside EU (comparative)	<p>United Kingdom & European Economic Area (EEA) neighbors: While not legally bound by the EU Pay Transparency Directive, these jurisdictions are monitoring developments closely. Several are considering or preparing comparable transparency measures. The United Kingdom already mandates gender pay-gap reporting and may evaluate additional disclosure requirements to remain aligned with evolving European standards.</p> <p>Global firms: Multinational organizations headquartered outside the EU often find the Directive more stringent than home-country requirements. As a result, many are adopting EU-style pay transparency frameworks within European operations. Over time, this approach may drive broader policy convergence as organizations seek consistency across markets and compete for talent on more comparable terms.</p>

EU Pay Transparency Directive – U.S. Comparison Sidebar

While the EU Pay Transparency Directive represents a significant step at the regional level, its underlying principles are consistent with developments already underway in other jurisdictions. In the United States, several states—most notably California and New York—have implemented pay-transparency regimes that combine mandatory disclosure with enforcement and reporting mechanisms.

In California, employers with 15⁴ or more employees are required to disclose salary ranges in job postings, while those with 100 or more employees must submit annual pay data reports to state regulators, segmented by job category, race, ethnicity and sex.

Together, these requirements form a disclosure-and-reporting framework that closely mirrors the Directive's transparency and accountability approach under EU law.

New York⁵ has adopted an even broader coverage threshold, applying statewide pay-transparency requirements to employers with four or more employees. Covered employers must disclose compensation ranges for advertised job, promotion, and transfer opportunities performed wholly or partially within the state, including certain remote roles that report into New York. Although New York does not yet mandate gender pay-gap reporting comparable to the EU or California, the law substantially expands the scope of salary disclosure, further normalizing transparency-based pay governance across employer populations.

Taken together, these U.S. state frameworks demonstrate that the EU Directive¹ aligns with a broader global trend: the shift of pay-equity enforcement away from individual complaints and toward proactive disclosure, standardized reporting, and demonstrable employer accountability, rather than minimum-wage regulation or centralized pay setting.



Executive Perspective: Pay Transparency as a Converging Global Standard

The EU Pay Transparency Directive¹ should not be viewed as a regional anomaly, but as part of an accelerating global convergence toward transparency-driven pay governance. For multinational organizations, pay transparency is increasingly becoming a baseline compliance expectation, rather than a jurisdiction-specific obligation confined to select markets.

Practical Considerations for Employers

To prepare for implementation and mitigate compliance and employee-relations risk, employers may consider the following actions:

1. Conduct proactive pay-equity assessments

Review existing pay structures, including expatriate and foreign-local compensation, to identify potential gaps or inconsistencies ahead of reporting obligations.

2. Re-evaluate global mobility compensation frameworks

Ensure that allowances and premiums are clearly defined, consistently applied, and objectively justified through documented criteria.

3. Standardize definitions of “pay” across jurisdictions

Align the treatment of salary, benefits, and incentives to avoid artificial disparities resulting from inconsistent classification or valuation.

4. Update recruitment and offer practices

Equip recruiters and hiring managers to operate within transparent, market-anchored compensation frameworks and eliminate reliance on prior salary benchmarks.

5. Strengthen governance and documentation

Maintain clear records supporting compensation decisions to respond efficiently to employee requests, audits or regulatory reviews.

6. Engage stakeholders early

Involve HR, mobility, legal, finance and, where applicable, works councils early in planning and implementation to ensure coordinated compliance.

Aligning for What’s Next

Preparing for pay transparency starts with informed action. Graebel supports organizations in aligning mobility, compensation, and compliance strategies amid evolving global requirements. Connect with your Graebel representative or visit our [Contact Us](#) page to get started.

Sources

¹EU Directive (EU) 2023/970 – Official Text - [Directive - 2023/970 - EN - EUR-Lex](#)

²European Council - [Pay transparency in the EU - Consilium](#)

³European Union - [Search results - EUR-Lex](#)

⁴California Labor Code §432.3 (SB 1162) - https://california.public.law/codes/labor_code_section_432.3

⁵New York State Pay Transparency Law - [Pay Transparency | Department of Labor](#)

⁶Lewis Silkin - [France Pay Transparency Draft Law: Key differences from the EU Directive](#)