Mandatory salary transparency in the EU: A way to tackle gender pay gap

The disclosure of the salary in any job advertisement has been mandatory since April in European Union member-states. The new regulations, as per a EU directive, also aim to ensure that workers receive key salary information during their employment and that pay structures are based on and include gender-neutral job evaluation and classification systems. In this article, we review the possible impact of this new directive, its benefits for employees, and the changes involved for employers.

Why is tackling the gender pay gap important?

Women's work has faced a lack of recognition and appropriate remuneration for centuries. According to a 2022 World Bank report, in approximately half of the countries in the world, a regulatory framework that would make it mandatory for companies to ensure the provision of equal pay to any gender, in an equal manner, is still missing. Another survey undertaken by Moody's Analytics concluded that the actual cost of the gender gap to the world economy may rise to as high as US$7 trillion.

In the European Union, the transparency of gender pay has been highlighted as being significantly important in the Union's Equality Strategy 2020-2025. The right to equal pay between women and men for equal work or work of equal value is enshrined in Article 157 TFEU and in Directive 2006/54/EC on equal pay. Nevertheless, the implementation and enforcement of this principle has been challenging for quite some time, partially because pay discrimination often goes undetected due to a lack of pay transparency meaning that victims are prevented from bringing claims.

A lack of pay transparency has been identified as one of the key obstacles to closing the gender pay gap which remained at around 13% on average in the EU in 2020. This means that women on average earn 13% less than men per hour

*(*source https://www.consilium.europa.eu/en/policies/pay-transparency/)*

How will salary transparency benefit employees?

1. The new regulations make it obligatory for employers to ensure salary information is available to potential hires in the job description or before an interview for any role advertised by company whether this relates to the starting salary or wage scale.

2. Pay structures that compare pay levels will have to be based on and include gender-neutral job evaluation and classification systems.

3. Gender-neutral criteria has become the basis for pay structures used for the comparison of pay levels which also feature gender-neutral job assessments and categorization systems.

4. Employees are eligible to receive individual and/or median compensation data and likewise a break-down per gender.

5. Employers are no longer allowed to enquire about a candidate's wage history.

6. If a gender pay gap rises above 5%, EU companies will undergo an assessment of salaries which may even lead to the payment of a fine.

Considered to be a measure that will influence both employees and employers, it is still too early to assess the impact of the new regulations with more data needed for a realistic analysis. However, it is interesting to look at employees' expectations right now.

Results and findings from recent Monster.com research on the future of work and the evolving jobs market:

- 98% of employees consider that employers must share wage ranges in their vacancy postings, and 53% would simply not apply for a job if this information is not available.

- For more than half (61%) of employees, salary is the highest priority during the job seeking process.

- The majority of employees are positive about the effect that regulations about the disclosure of salaries will have for their careers with 53% considering that this will increase salary equity, 43% believing it will lead to overall higher salaries for all employees, and lastly 42% are positive about the effect on the growth of employee productivity and overall satisfaction.

- Nevertheless, 22% are concerned that wage disclosure regulations will create some tension between colleagues due to unequal pay. Furthermore, 18% think that it will lead to more lawsuits against employers in terms of pay discrimination.

One of the possible conclusions, as per the Monster.com data presented above, is that businesses with higher gaps in salaries than those of their competitors may face the risk of missing out on the top talent on the market and suffer significant damage to their reputation if they do no not take steps to reduce those gaps.

How can businesses reduce the gender pay gap apart from leveling the salaries?

Even though there are methods and strategies that may be useful for one company or another and at a different extent for some businesses and not for others, the DRS recruiters team have prepared a special list of selected tactics and strategies that could help to decrease the gender pay gap in your company:

1. Encourage promotion and pay transparency

2. Re-assess hiring, promotion, and bonus packages

3. Support salary negotiations
4. Promote male parental leave
5. Promotion remote working
6. Training on conscious inclusion, unconscious bias and diversity

To conclude, reporting information about gender pay gaps aims to increase transparency which is a significant tool to produce a positive change – what's measured, gets transformed. We will soon be able to see the results of this initiative and analyze the effect it has had on companies with regards to their actions to bring positive change into the workplaces by making them more inclusive and diverse. Stay tuned and don't miss future articles prepared in cooperation with DRS!

smt: The salary disclosure in any job advertisement has become mandatory since April 2023 per a EU directive. What are the consequences for employers and employees and how exactly will the mandatory salary transparency help in decreasing the gender pay gap? We invite you to learn more on these points in new DRS article!

#salarytransparency #job EUdirective #**employment #employees #genderpaygap**

MANDATORY SALARY TRANSPARENCY IN THE EU: A WAY TO TACKLE GENDER PAY GAP

Disclosure of salaries in job ads in the European Union member-states is mandatory since this April. The new regulations, as per EU directive, aim to ensure workers receive key salary data during employment and that pay structures must be based on and include gender-neutral job evaluation and classification systems. In this article, we review the possible impacts of the new directive, its benefits for employees, and the changes for the employers.

Why is tackling the gender pay gap important?

Women's work had faced lack of recognition and proper remuneration throughout the centuries. According to a 2022 World Bank report, approximately in half of the world countries, a regulatory framework which would make it mandatory for the companies to ensure provision of equal pay to any gender, in equal manner, is still missing. Another survey performed by Moody's Analytics concluded that the factual cost of gender gap for the world economy may raise the number as high as $7 trillion!

In the European Union, the transparency of Gender pay has been outlined with significant importance in the Union's Equality Strategy 2020-2025. The right to equal pay between women and men for equal work or work of equal value is enshrined in Article 157 TFEU and in Directive 2006/54/EC on equal pay. Nonetheless, implementation and enforcement of this principle was challenging for a long period of time

already. Partially because pay discrimination often goes undetected due to a lack of pay transparency, meaning that victims are prevented from bringing claims.

Lack of pay transparency has been identified as one of the key obstacles to closing the gender pay gap, which remains at around 13% on average in the EU in 2020. This means that women earn on average 13% less than men per hour

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How will salary transparency benefit employees?

1. The new regulation made it obligatory for the employers to keep the salary information open to the potential hires: may it concern the starter's salary or wage scale for the roles advertised by company in the job description post or before the hiring interview.
2. Pay structures to compare pay levels will have to be based on and include gender-neutral job evaluation and classification systems.
3. Gender-neutral criteria has become the base for pay structures used for the comparison of the pay levels, which also contain the Gender-neutral job assessment and categorization system.
4. Employees are eligible to receive individual and/or median compensation data, considering likewise a break-down per gender.
5. Candidates' wage history is no longer allowed to be inquired by employers.
6. In case a gender pay gap rises above a 5% value, EU companies will be undergoing assessment of the salary, and might even need to pay a fine.

It is undoubtedly a measure that will influence both employee and employer's market! Let's see how it will evolve in the near future to bring up some viable statistics on the occurred change and their impact for tackling the gender pay gap. However at the moment, we would like also to bring up an interesting insight on the expectations of the employees' expectations as of now.

Results and findings from recent Monster.com research on the future of work and the evolving jobs market:

- 98% of employees consider that employers must share wage ranges in their vacancy postings, where 53% would simply not apply for a job where this information is not presented.
- For more than half, 61% of employees, salary is the highest priority during the job search process.
- Majority of employees are positive about the effect that laws about disclosure of salary will have for their career: 53% consider that it will increase salary equity, 43% think it will lead to overall bigger salaries for all employees, and lastly 42% are positive about the law effect on growth of employee productivity and overall satisfaction.
- Nonetheless, 22% are worried that wage disclosure laws will create some tension between colleagues due to unequal pay, moreover 18% think that it will create more lawsuits against employers in case of pay discrimination.

One of the possible conclusions, as per Monster.com data, presented above, is that businesses with higher salary gaps than of their competitors' may face risk of missing the top talent on the market and get a significant damage to their reputation in case they do no not undertake steps to decrease it.

Even though there are methods and strategies which may be useful for one or another company at different extent some businesses and not for others, DRS recruiters team had prepared a special list of selected tactics and strategies which may assist with decreasing the gender pay gap in your company:

1. Encourage Promotion and Pay Transparency
2. Re-assessment of hiring, promotion, and bonus packages
3. Support Salary Negotiations
4. Promotion of Male Parental Leave
5. Promotion of Remote Working
6. Training on Conscious Inclusion, Unconscious Bias and Diversity.

To conclude, reporting on Gender pay gap will aim to increase transparency which is a prominent tool for positive change: what's measured, gets transformed. We will see soon the results of this initiative and analyze the effect it had made on companies with regards to their actions to bring positive change into the workplaces by making them more inclusive and diverse. Stay tunes and don't miss the next articles prepared in cooperation with DRS!