Pay Transparency: Do's and don'ts

This guide contains

Comprehensive insights and practical advice for organizations looking to achieve pay equity and comply with emerging pay transparency legislation.

- An introduction to pay transparency regulations in Europe
- Our tips and guidance for achieving pay transparency
- Common mistakes organizations make with equal pay
- Our top reasons why you need software for compliance
- Pay transparency best practices and client case studies
- Key takeaways for your organization to drive pay equity

Key takeaways

This guide has been designed to help your organization take the first step on your journey to pay transparency – sharing the information you need to prepare for new legislation and advance pay equity in your workplace. Sysarb is seen as one of the leading voices for creating equal workplaces. This guide is created by our team with 20+ years of experience and gives you the best chance of retaining talent, lowering legal risks and increasing employment engagement.
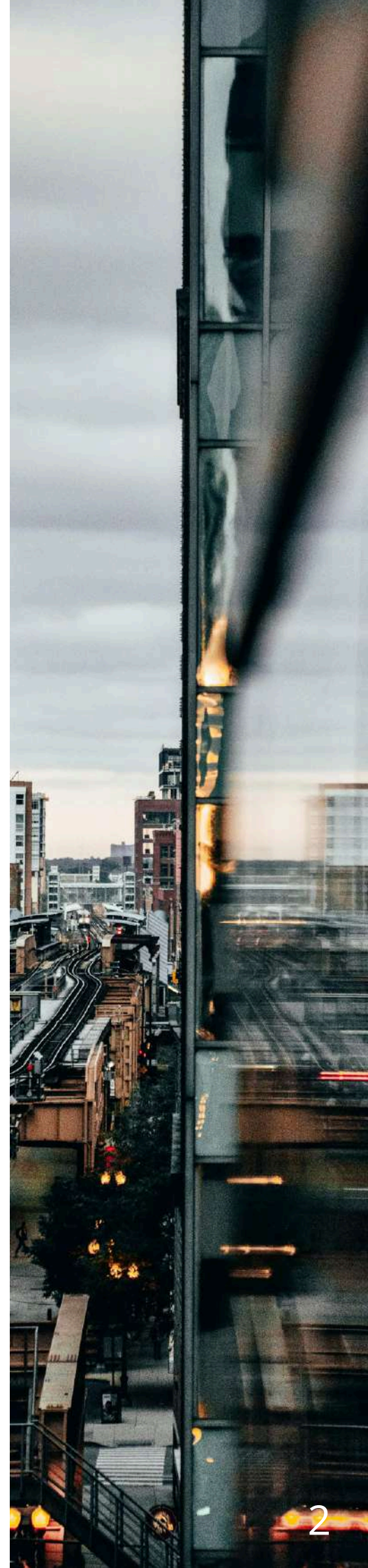
- An understanding of the EU Pay Transparency Directive and its requirements.
- Knowledge of best practices and common pitfalls around pay equity.
- A clear roadmap for how your organization can achieve compliance.
- An invitation to a strategic pay transparency audit from Sysarb experts.

What is pay transparency?

In recent years, Pay Transparency has become a popular tool to battle wage discrimination such as the gender pay gap. It refers to companies being open about the compensation received by their current and prospective employees.

Women's hourly earnings were on average 12.7% below men in the EU—a figure that, despite increasing awareness of inequality, has hardly moved in recent years.

Yet, what is changing is workers' attitudes toward talking about how much they and their colleagues are earning. Organizations, individuals, and regulatory bodies are becoming more tuned in to potential pay inequality and bias in the workplace.

Understanding the Pay Transparency Directive

For companies in the European Union, the principle of pay transparency is no longer a recommendation—it's a legal requirement.

Why? In April 2023, the European Commission's proposal to introduce binding pay transparency measures was approved by the relevant regulatory committees and named 'The EU Pay Transparency Directive.'

The fundamental aim of the Directive is to establish EU-wide minimum standards on pay transparency measures so that workers can assert their right to equal pay and squash the EU's enduring gender pay gap.
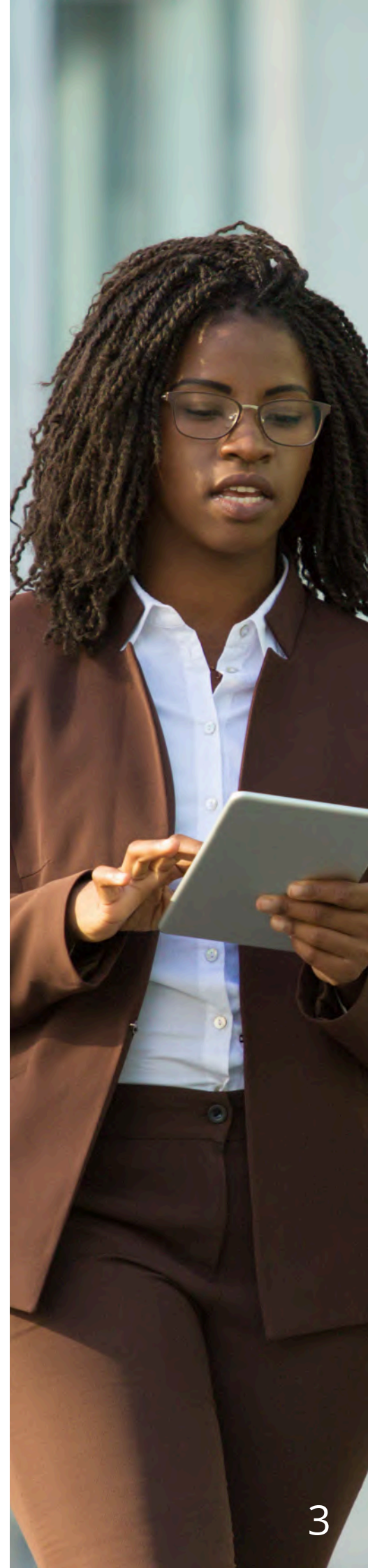
Key elements of the EU Directive

Obligatory Objective Measuring
Employers will need to have an objective method of comparing the value of work. This can include criteria such as educational level, social skills and level of responsibility.

Pay Transparency for Job-Seekers
Employers will have an obligation to provide detailed information about initial pay or pay range either in job postings or before interviews.

Gender Pay Gap Under 5%
Fines will be issued for companies with a pay gap of more than 5% that cannot be justified by objective, gender-neutral criteria.

Right To Information
Workers can ask employers for information on average pay levels, broken down by gender, for employees doing equal work—as well as criteria for career progression.

Public Pay Reporting
Employers will be required to publish information on the pay gap between their female and male workers based on base pay and variable pay.

Justice for Victims of Pay Discrimination
Victims of gender pay discrimination can receive compensation, including back pay. It's the employer's responsibility to prove there was no discrimination.

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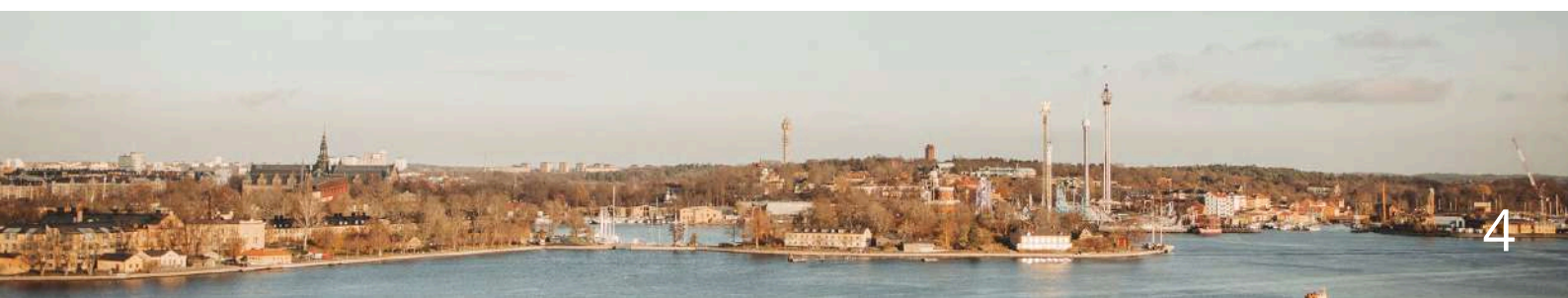
The pay transparency scale

Full transparency

Full pay transparency across all job levels
Structure & communication in focus. Individual pay data available – employees know exactly what everyone is paid and why.

Employees have clarity within career paths
Evaluated jobs and all pay rangers are available and communicated across the organization. Clear career paths are in place

Job levels and pay range are public and accessible
Employees are aware of their job level and where their pay falls. Line managers are trained to talk about pay.

Employees have limited pay insight
Job evaluation and pay ranges exist and line managers have oversight. Employees may have limited awareness.

Employees gain insights into pay range factors
Line managers are involved in pay decisions. Factors determining pay ranges and median pay are shared publicly

Employees receive limited information
Pay ranges and median pay for jobs are shared internally. Pay decisions made by senior management & HR, with limited info to lines managers

Employees receive no information
Pay decisions are made by senior management only. No information is shared with employees except their own pay.

No transparency

The EU Pay Transparency Directive requirements will apply to any company with more than 100 employees of any type and will be implemented in local law by the year 2026!

Are you in a position to comply?

The EU Pay Directive is changing the landscape of compensation and the importance of equitable compensation structures. Yet many organizations remain unprepared and unequipped to deal with this major shift in equal pay legislation.

For many companies, this new legislation will force them to prepare and adapt quickly to comply—whether it's identifying potential disparities and optimizing pay structures or educating managers and communicating with employees.

That's why this guide has been created—to help your organization have total certainty when it comes to creating fair compensation structures and ensuring compliance with the EU Pay Transparency Directive.

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Introducing 'the do's' of pay transparency

We understand that pay transparency is a relatively new concept that many organizations are not familiar with (and won't understand how to ensure compliance with new legislation!)

So, to get you started, here are 5 of our top tips for any successful pay transparency project:

1. Conducting organizational analysis
2. Building a robust job architecture
3. Completing thorough equal pay audits
4. Training and communication
5. Using pay transparency software

1. Conducting organizational analysis

Any pay transparency project should be based on your organization's specific needs and structure, so the first stage of any successful project is to conduct a detailed organizational analysis that outlines your pay philosophy.

Put simply, what is your willingness to pay? By setting and sticking to a consistent pay philosophy, everyone in your organization (from managers and recruiters to HR teams and rewards experts) is on the same page when it comes to pay decisions.

This approach gives you the best chance of understanding the organization and putting a meaningful pay equity strategy in place, rather than rushing into a project that doesn't deliver on the necessary requirements.

Organizational analysis

How to:

We understand that conducting an organizational analysis can often be overwhelming and that you might feel in the dark about the appropriate steps. Here are our practical tips for getting the most out of the exercise and starting your project on the right foot.

- **Outline your organizational structure**
Determine if you are a hierarchical organization with multiple management levels or a more delayered organization with different product lines or divisions.

- **Decide which job roles are in which departments**
Pay transparency projects need structure. Take time to identify all the individual roles in your business and group them into organizational units and job families.

- **Think about how many career levels you want**
Career levels (like Support Staff, Experts, and Executives) help drive salary discussions. Decide on your organization's levels and try to keep things simple.

- **Discuss and design your overall pay philosophy**
Involve rewards specialists and HR managers to define your organization's willingness to pay. This will form the basis of your pay transparency project.

- **Set clear project targets and KPIs with managers**
Arrange preliminary discussions with leadership teams and senior staff to outline project goals and metrics to give yourself the best chance of achieving them.

2. Building a robust job architecture

The EU Pay Transparency Directive requires organizations to introduce a centralized job architecture: a visualization of all the organization's job profiles and how these relate to each other based on requirements and responsibilities—to be compliant.

As organizations must now present salary ranges for all job profiles and make career paths transparent for all employees, designing and building your job architecture (typically using point-factor-based job evaluation) is a crucial project phase.

Not only is this exercise the foundation for good compensation work, development processes, and career pathing, but it also ensures fairness and equality in your pay practices. Quite simply, you won't comply without a job architecture.
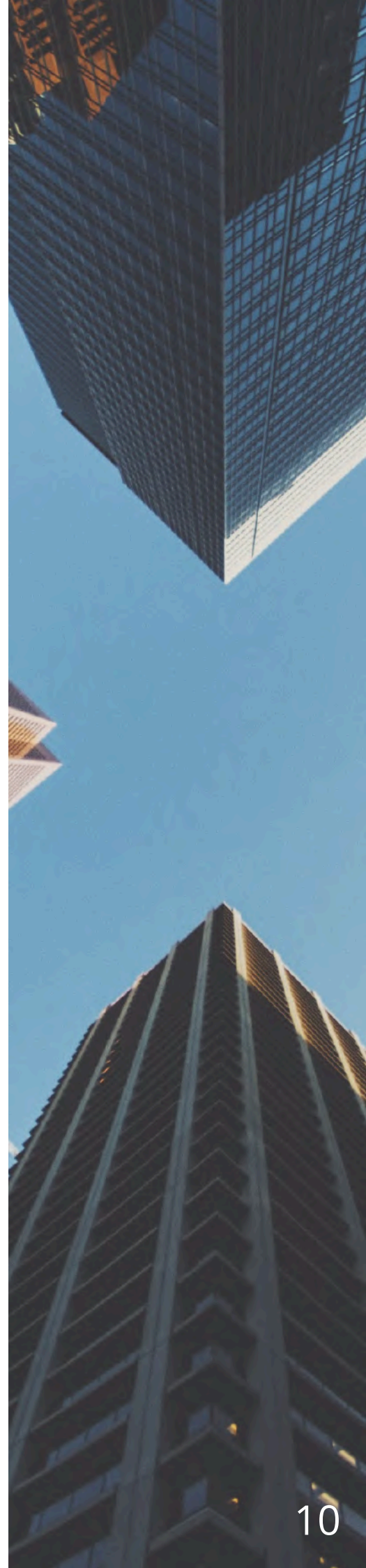
Job architecture

How to:

Building your organization's job architecture, if done incorrectly, can easily become a complex, time-consuming and expensive process. Take a look at our best pieces of advice for making sure you handle the crucial project element successfully.

- **Use your organizational analysis as a basis**
The hard work from your organizational analysis (like job roles and career levels) is the foundation for your job architecture that you can always come back to.

- **Grade your roles with analytical job evaluation**
It's essential to grade your roles using point-factor-based job evaluation. Put your jobs into a clear hierarchy as a key part of your job architecture.

- **Align job grades with employee salary data**
Once you've graded your roles, align positions with employee information (like gender, age, and salary) so you can conduct proper pay analysis.

- **Design pay bands based on your philosophy**
With a clear overview of your job roles, staff, and their salaries, build pay bands by grade to help organize all employees into justifiable pay ranges.

- **Get help from software throughout this process**
Speak to Sysarb about stress-free job architecture design and an easy solution for displaying job roles and salaries online without complex spreadsheets.

3. Completing thorough equal pay audits

With a clear pay philosophy and centralized job architecture in place, your organization can now turn attention to its current compensation situation in order to determine what needs to be done to achieve pay transparency.

By comparing your organization's job levels, employee salaries, and external market benchmark data, you can evaluate existing pay structures and identify potential disparities, which is especially useful for analyzing pay between men and women.

By engaging in thorough, company-wide pay audits like this on a regular basis, you can ensure you always stay on top of internal pay equity, continually adjusting and optimizing your pay bands to achieve compliance with legislation.

Equal pay audits

How to:

This is arguably one of the most important elements of achieving compliance with the EU Pay Transparency Directive and, in our experience, there are certain areas to focus on to help your organization get the most out of your pay audits.

- **Use your job architecture throughout the process**
You did the hard work grading roles and building pay bands. So, always go back to them when thinking about your current compensation situation.

- **Determine if current salaries align with pay bands**
Compare salaries with your 'willingness to pay' to get a feel for your rewards practices. Having salaries within pay bands is a great place to start for pay transparency.

- **Assess disparities in pay between men and women**
This information can then be used to see any outliers from pay bands based on gender. Do women earn less than men for the same role? Do you have a glass ceiling?

- **Decide as a company how to resolve any issues**
Sit down with management and HR teams to discuss solutions for any outliers or pay disparities and put a clear plan in place to achieve pay equity.

- **Be sure to repeat pay audits on an ongoing basis**
Your pay audit is just a snapshot at any given moment in time. It's important to regularly review and repeat your pay transparency practices to stay compliant.

4. Training and communication

Ultimately, achieving pay transparency is a change management process for your workplace. This is not a one-time project but an important journey covering multiple strategic steps across the entire lifecycle of your organization.

It means that your leadership team and senior managers must have an in-depth understanding of pay transparency and its specific regulatory requirements. Without it, your business will lack the direction and unity needed to make a positive impact.

Through regular, quality training and education on all aspects of pay equity, management can confidently guide your organization on its pay transparency roadmap, communicating with employees to help sustain best practice.

(**Training and communication**)

How to:

Your organization is unlikely to achieve its pay transparency targets unless everyone in the workplace is pulling together. Training and communication are absolutely essential along the journey and here's how we'd recommend doing it:

- **Get buy-in from leadership teams early in the process**
At the very start of your pay transparency journey, sit down with management to explain the importance of ensuring employees are paid fairly.

- **Clearly define metrics for pay transparency success**
Determine how you'll judge if your pay transparency project has worked, whether it's simply compliance or through more detailed compensation targets.

- **Host regular workshops for management teams**
Pay transparency isn't easy. Be patient with managers, arranging detailed pay transparency sessions where they can build knowledge and best practice.

- **Give employees time to understand the process**
Change—especially with salaries—can be jarring for many staff. Involve your people throughout your project and communicate updates regularly.

- **Create a 'one company' mentality for pay equity**
Everyone must be in this together. Help everyone point towards the same goal through internal pay transparency events or safe-space discussions.

5. Using pay transparency software

You may have gathered from this guide that pay transparency can easily become a confusing, convoluted process. The trouble is, however complex achieving pay equity may be, you simply don't have a choice when it comes to compliance.

That's why using pay equity software is the most effective, efficient way to tick all the boxes of the EU Pay Transparency Directive. There are far too many moving parts to handle compliance manually, and on your own without support.

Working with systems like Sysarb is the ideal solution, breaking down all the elements of pay transparency into digestible chunks and giving you all the tools you need for compliance under one roof. No stress. No spreadsheets. No sanctions.

Pay transparency software

How to:

Finding the right software for your pay transparency needs isn't always easy. Sysarb is one of the leading systems on the market, so we're perfectly placed to share what you should be looking out for when picking your solution.

- **Determine if it's a proven product**

Many solutions are offering support with pay transparency, so you should check to see if your chosen software has the experience and toolset you need to succeed.

- **Check the integration capabilities**

You don't want to rely on spreadsheets or manual processes, so make sure data import is easy and efficient through integration with payroll and HCM software.

- **Ensure multiple language options**

As you'll be bound by local reporting laws, your system needs to handle all 24 spoken languages in Europe and automate gender pay gap reports for each location.

- **Ask about access rights**

You'll need to customize who can view certain data in your solution, with varying access rights for C&B specialists, HRBPs, executive managers, and more.

- **Consider additional consulting support**

Setting up the right processes and drawing the right conclusions can be complex. It's preferred if your solution has pay equity consultants to support the process.

Introducing 'the don'ts' of pay transparency

Rather than run through best practices for pay transparency, sometimes it's more helpful to be told what not to do! So, for any organization embarking on its journey towards pay equity, we've put together some of the common mistakes and pitfalls you should do everything in your power to avoid:

- Thinking you have plenty of time
- Implementing without preparation
- Ignoring job evaluation processes
- Overlooking privacy concerns
- Neglecting to follow through

Thinking you have plenty of time

The EU Pay Transparency Directive was launched in April 2023 - yet in the first 12 months of the initiative, more than 80% of European companies had still taken no action towards achieving pay transparency in their workplace.

June 2026 is when the new legislation will be applied in local law, with the first public pay transparency report released in 2027. It's easy to think you have plenty of time to get your house in order but the reality is not quite so simple.

Achieving pay transparency, let alone formal compliance with regulations is a lengthy process that requires total care and attention. Unless you start as soon as possible, your organization could find itself scrambling to avoid sanctions in the future.

Implementing without preparation

In the 'do's' section of this guide, we referenced the importance of in-depth organizational analysis - taking stock of your company's current circumstances and openly discussing the targets of your pay transparency project.

Unfortunately, many companies ignore this stage of the process and rush into their pay equity exercise without the appropriate preparation, making things significantly more difficult for them as the project naturally progresses and adjusts.

Before getting started, you must put the foundations in place for a successful outcome, outlining key objectives, setting a pay philosophy, and communicating with managers. Remember... Prior preparation prevents poor performance!

Ignoring job evaluation processes

With the 'Obligatory Objective Measuring' requirement now included in the EU Pay Transparency Directive, organizations now need to have an objective method of comparing the value of work. In other words, job evaluation!

Job evaluation is a major part of the processes of building a centralized job architecture, defining the job level, and determining the relative value of each job within the organization based on the degree of difficulty, responsibility, and complexity.

It means that jumping straight into your compensation work is not compliant with EU legislation. Without a formal job architecture founded in analytical job evaluation, you won't have sufficient information or documentation to achieve pay transparency.

Overlooking privacy concerns

As well as the strategic approach and technical implementation of a successful pay transparency project, there are also a few important factors you must consider when it comes to data privacy and the rights of your employees.

You'll be dealing with important personal data - including name, age, gender, and salary - which should always be handled with utmost care. Maintaining GDPR compliance as well as pay equity compliance must be a top priority.

Beyond that, pay can simply be a sensitive topic for many people. So, overlooking privacy concerns and failing to brief employees on your pay transparency project can be a major roadblock to achieving company buy-in and overall compliance.

Neglecting to follow through

All being well, your organization will soon find itself in full compliance with the EU Pay Transparency Directive and with a much greater understanding of its internal and external pay practices. But that's not the end of the story...

Pay transparency is not a one-and-done project. It's a long-term commitment that must be done regularly to ensure ongoing compliance. By neglecting to follow through on your initial exercise, you risk suffering serious issues in the future. Using pay transparency software is the most reliable method to ensure you don't drop the ball when it comes to equal pay in your organization - and ensuring you're always confident and in control of your rewards policies as the years go by.
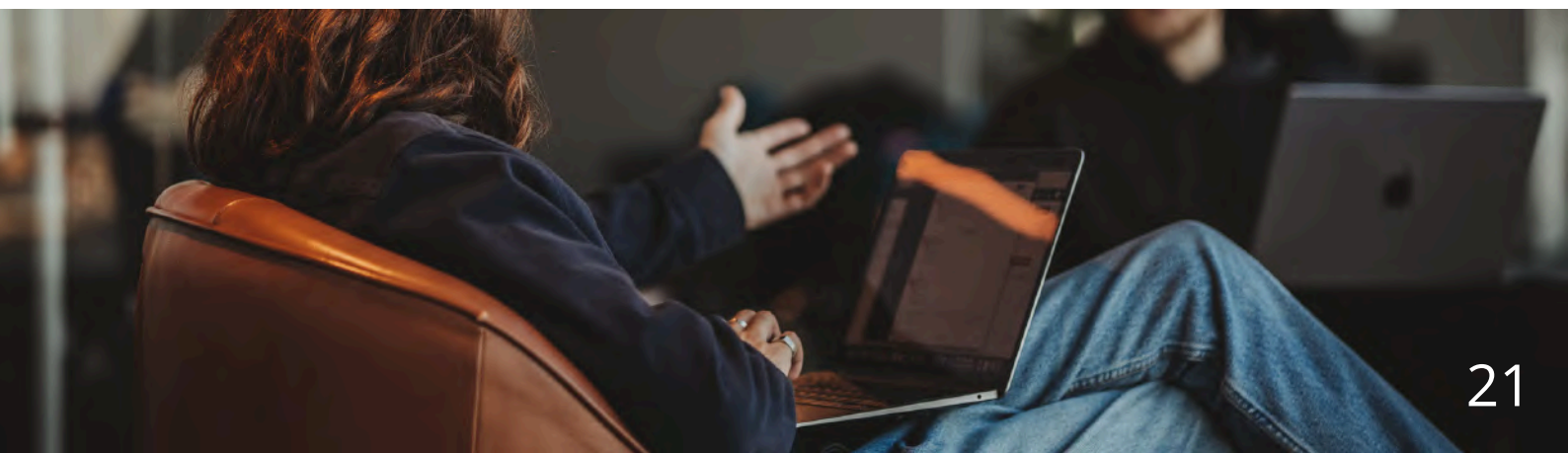
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Sysarb as a solution for pay transparency

Sysarb's mission is simple—to deliver software that makes pay transparency easy! We're seen as one of the EU's leading pay transparency tools that perform detailed equal pay analyses and generate unique organizational reports on pay equity. To make sure your organization is 'doing the do's' and 'avoiding the don'ts' outlined in this guide - explore our feature set and gain more clarity on how we can help you mitigate issues and leverage opportunities when it comes to pay transparency:

Job Architecture Framework ✓

Sysarb has developed a new job architecture framework that enables their clients to create their own job architecture and support the EU Pay Transparency Directive.

- ☑ Build a job architecture with a clear structure
- ☑ Define levels & relationships between roles
- ☑ Ensure fairness in salary setting
- ☑ Optimize talent management processes

Pay Equity Analysis ✓

Sysarb automates your analysis based on AI that identifies unjust salary disparities based on gender, age, performance, and more. You can change salary levels in real time to resolve pay inequities and calculate the cost of fair pay adjustments.

- ☑ Automate your unique analysis based on AI
- ☑ Identify and solve unjust salary disparities
- ☑ Considers gender, age, tenure, and more
- ☑ Calculate the cost of fair pay adjustments

Reporting For Compliance ✓

Sysarb generates pay transparency reports localized for your specific country that can be used to meet local pay equity regulations. Once you're done with your analysis just click 'export' and our system will handle the rest automatically.

- ☑ Download reports to meet regulations
- ☑ Get detailed, localized comp. information
- ☑ Improve pay practices & ensure compliance
- ☑ Support communication with employees

To get a detailed breakdown of our features and how Sysarb can help you achieve pay equity, head to our <u>website</u> or:

Book a call with our experts 📞

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Learn how others are using Sysarb to promote pay transparency

For almost 20 years Sysarb has helped clients unlock the power of building equitable workplaces that retain talent, lower legal risks and increase employee engagement. Today, we support 10,000 users representing 500 clients with a success rate of 98%.

But don't just take our word for it! Take an in-depth look at our work with Rusta, a leading player in the Nordic variety hard discount market, who we helped to optimize their salary review processes and build more equitable pay structures.

Watch case study video ▶

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Arrange your bespoke pay transparency audit

Hopefully, you've found this guide useful as a starting point as you expand your knowledge of the EU Pay Transparency Directive and pay transparency in general.

That said, if you'd like to go beyond the general theory and get unique insights into your organization's current pay transparency circumstances and targets—Sysarb's pay transparency audit could be the perfect fit.

Click to secure your pay transparency audit

"We gained valuable insights from Sysarbs Pay Transparency Audit regarding the actions we need to take in the upcoming year to comply the new EU directive"
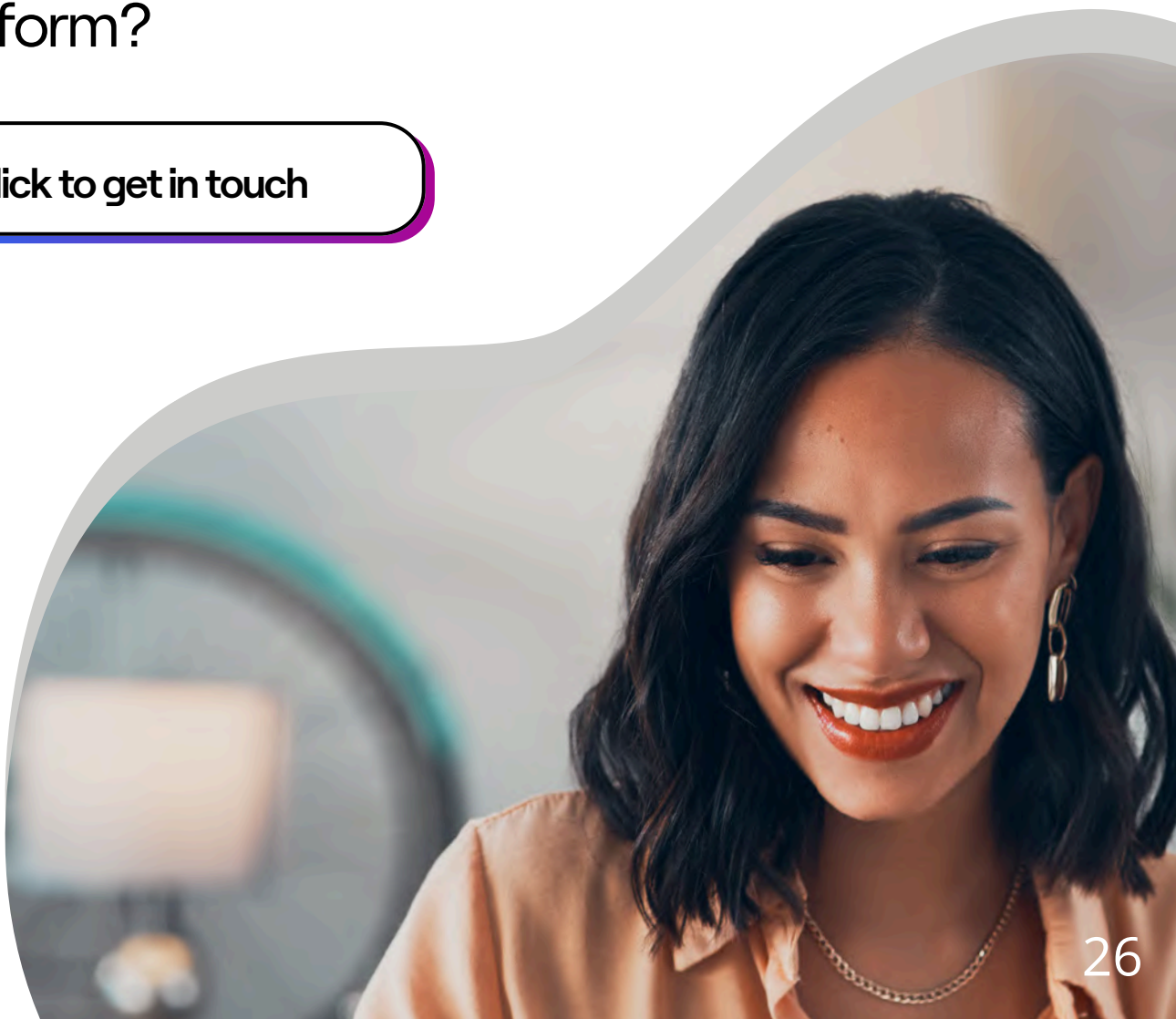
Magnus Larsson
Head of Comp & Ben

Polestar

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Make pay transparency your competitive advantage!

Are you interested in expert consultation or a demo of our platform?

Click to get in touch

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