

## Preparing for Compliance with the Pay Transparency Directive

**Under the new EU directive, employers will be required to include a salary range or at least a specific minimum wage for the advertised position in all job postings. In addition, every employee will be entitled, once a year, to request information on the average pay levels for their position, broken down by gender. And these are just some of the obligations to come. Is your company ready?**

Eliminating gender-based discrimination and ensuring equal pay for equal work have always been central pillars of the European Union's anti-discrimination policy. Over the past decades, several directives have shaped and implemented the prohibition of negative discrimination as well as the possibility of positive discrimination. *The Directive (EU) 2023/970 of the European Parliament and of the Council*, adopted in May 2023 and **effective within months**, 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, represents another important step in this ongoing process.

The aim of the Directive is to make pay differences between men and women more visible and easier to identify by introducing transparency and enforcement measures, thereby enabling more effective elimination of discovered inequalities.

Let us summarize the key new rules that employers – both in the public and private sectors – will need to comply with regarding their remuneration systems:

1. Before employment begins, pay transparency must be ensured: candidates must be informed about the initial pay level, either in publicly available job postings, before the interview, or by other means.
2. It will be prohibited to ask applicants about their previous salary, and the entire recruitment process must be conducted in a non-discriminatory manner (including the use of gender-neutral job titles).
3. During employment, the Directive places the greatest emphasis on transparency and access to information. Employers will be required to make information easily available on the criteria used to determine pay levels, salary progression, and pay increases. These criteria must be objective and gender-neutral.
4. Employees will have the right to receive written information about their individual pay level and the average pay levels broken down by gender for comparable work. Employers must remind employees annually of this right.
5. Depending on their size, employers will have to report detailed data on gender pay gaps annually or every three years to national authorities.
6. It is particularly important that the gender pay gap per employee category must also be communicated to employees and their representatives. If the report shows that in any category the average pay gap between male and female employees is at least 5%, the employer will be obliged to conduct a joint pay assessment with employee representatives to analyze and eliminate the discrepancies through appropriate measures.

**What happens if a company's operations do not comply with legal requirements, or if an employee raises a grievance?**

If an employee believes they have suffered harm due to a breach of the principle of equal pay, access to justice will be significantly facilitated by the Directive. A new procedural rule allows employee representatives and equality bodies or organizations to bring legal or administrative proceedings on behalf of or in support of employees.

In such proceedings, **the burden of proof is reversed** – the employer, as the defendant, must prove that no direct or indirect pay discrimination has occurred. The authority or court may also require the employer to disclose relevant information.

Since procedural costs often discourage employees from enforcing their rights, the Directive introduces another important innovation: even a successful employer may be ordered to bear legal costs if it can be established that the employee had reasonable grounds to bring the claim (especially if the employer failed to comply with its transparency and information obligations).

The Directive is not directly applicable under Hungarian law; Member States must transpose it into their national law by 7 June 2026 through legislation, so there is not much time left until its practical implementation. The new directive's regulation, which strongly protects employees and facilitates the initiation of administrative and judicial proceedings both from an administrative and a cost perspective, is expected to lead to an increasing number of labor law disputes and non-litigious procedures.

**Until the Hungarian legislation is published, it is therefore advisable for employers to prepare for the implementation of the new rules by mapping their remuneration structures and adapting them to the new legal requirements. Our law firm is ready to assist you in this process with great expertise and extensive experience in employment law!**