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Pay Transparency in the European Union

New expectations, new questions for Hungarian employers

Why has pay transparency come into focus in the European Union?

In the European Union, the principle of “equal pay for equal work” has long been part of the legal framework. Nevertheless, pay disparities – particularly between genders – remain significant. The Pay Transparency Directive therefore aims to make pay practices more transparent and comparable.

The logic of the regulation is straightforward: if pay decisions become more visible, the likelihood of unjustified differences decreases, and the enforceability of rights is strengthened. Employers are therefore required not only to provide data, but also to be able to justify pay differences objectively and consistently.

The change directly affects HR processes, managerial decision-making, and employee communication. As pay systems become more transparent, this triggers structural changes in many organizations.

In Hungary, the detailed transposition of the Directive is still ongoing. However, experience shows that organizations that start reviewing their pay structures and related processes ahead of the deadlines are at a clear advantage.

This e-book aims to support employers in approaching pay transparency not merely as a compliance obligation, but as a change that can be understood and consciously prepared for.

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Pay transparency is not merely about new reporting obligations. Through increased visibility of pay decisions, the regulation also has a direct impact on how organizations operate.

Legal framework and expected directions of Hungarian implementation

An established principle with renewed emphasis

Not a new right, but a new operating logic

At first glance, the EU regulation on pay transparency may appear to be technical legislation: reporting obligations, information requirements, and deadlines. In reality, however, it signals a deeper change. Directive (EU) 2023/970 does not introduce a new principle, but brings a long-established one – equal pay for equal work – into practical application.

EU law has long prohibited pay discrimination, yet the issue has persisted. The reason has not primarily been bad faith on the part of employers, but rather the fact that pay systems have been closed, difficult to compare, and rarely documented. As a result, differences have often remained "invisible."

The Directive seeks to change this. It is based on the premise that where decisions become visible and explainable, the likelihood of non-compliance decreases.

What does this mean from the perspective of employer responsibility?

One of the most important – and in practice often underestimated – elements of the Directive is the shift in the burden of proof. Where there is a suspicion of pay discrimination, it is the employer who must demonstrate that pay differences are based on objective, gender-neutral factors.

This represents a substantive change compared to previous practice. The focus is no longer on stating that "we did not discriminate," but on the underlying system used to make pay decisions, and whether that system can be applied consistently in other cases as well.

**Pay transparency does not mean that all salary data becomes public.
The focus is on the transparency and justifiability of the system, not on individual comparisons.**

In the future, employers will need to be able to answer questions such as:

- what criteria are used to place a role within a given pay band,
- what justifies differences in pay between two similar roles,
- how experience, performance, or market value are reflected in compensation.

These questions have always existed, but have largely remained in the background. However, under the logic of pay transparency, the principles behind decisions will need to become clearer and more consistent in the future.

The transformation of legal logic

Previously:	According to the logic of the Directive:
Legal prohibition	Visible system
Individual decisions	Documented principles
Reactive legal protection	Preventive operation

Hungarian implementation: the main risk is not the lack of detail

In Hungary, the detailed rules for transposing the Directive are not yet known. It is not yet clear what headcount thresholds, reporting frequencies, or sanctions will be introduced into national law.

However, experience suggests that the greatest risk does not lie in the absence of detailed rules, but in a lack of understanding of the underlying logic of the Directive. The regulation is expected to emerge at the intersection of several legal areas:

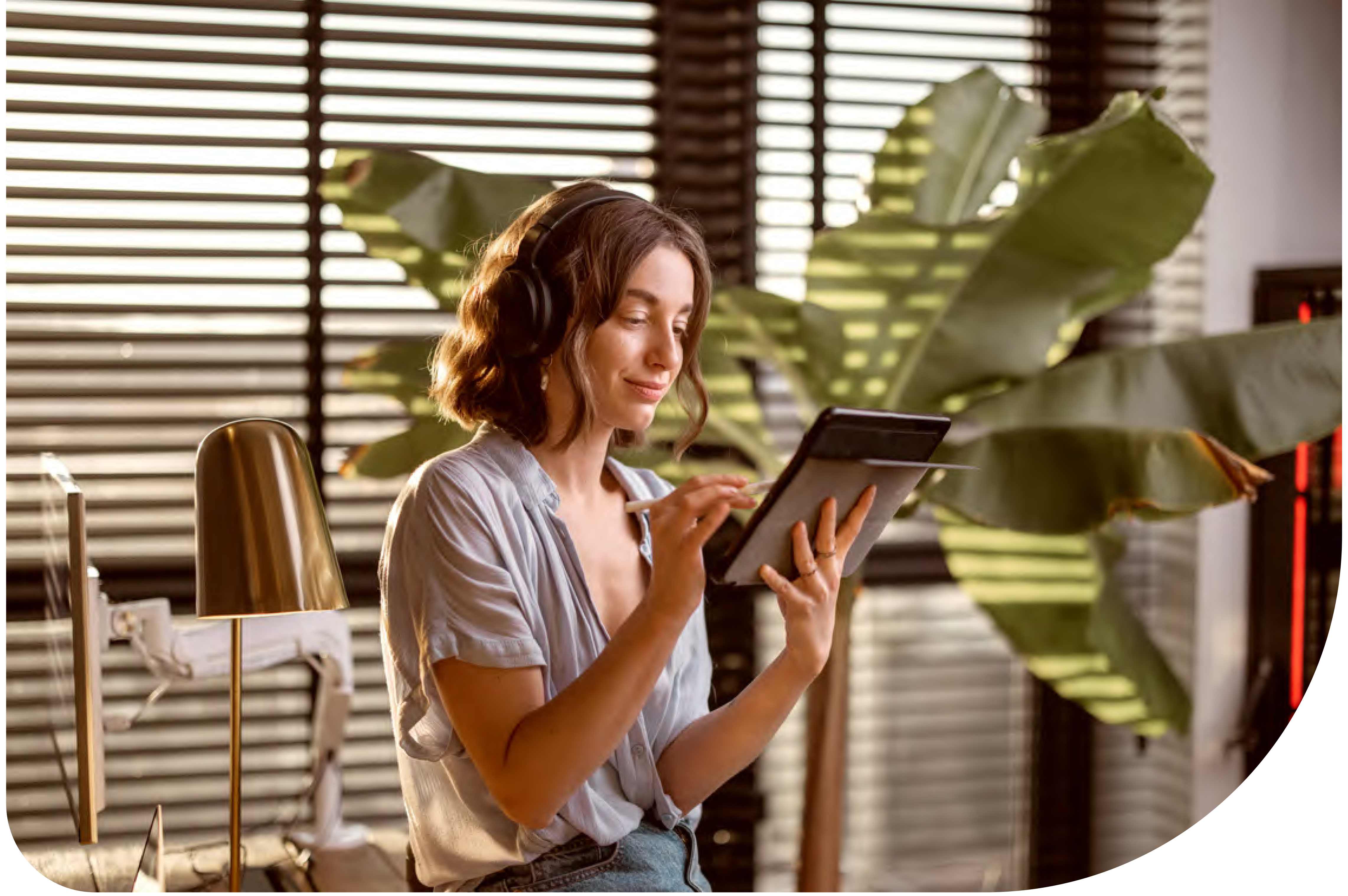
- **From a labour law perspective:** job classification, communication of pay bands, and information obligations
- **From an equal treatment perspective:** the practical application of the concept of work of equal value
- **From a data protection perspective:** the handling, analysis, and anonymization of sensitive pay data

What can already be stated with certainty?

Regardless of the exact details of implementation, the Directive already makes three core principles clear:

1. **Pay decisions must be comparable.**
2. **The logic behind decisions must be documentable.**
3. **The system must remain consistently applicable over time and across organizational units.**

This does not require immediate intervention, but rather conscious preparation. At this stage, organizations still have significant room to act: they can set priorities, test pilot solutions, and gradually strengthen their systems.



A common misconception: "We will deal with it once the Hungarian regulation is published."

Experience shows that organizations that react only to specific requirements—rather than preparing for the underlying operating logic—are the ones that tend to face the greatest challenges.

The integration of pay transparency into organizational operations

Once the legal framework and expectations are understood, the question is no longer whether pay transparency needs to be addressed, but from when it becomes part of day-to-day operations.

It does not start with legislation

In most organizations, pay transparency does not become a real issue when regulatory deadlines approach. Rather, it emerges in everyday situations where existing pay practices struggle to provide clear answers. ***A managerial decision during a salary review, an employee question following a performance evaluation, or an internal analysis revealing unexpected discrepancies.***

These moments are not exceptional. On the contrary, under the logic of pay transparency, they are natural. The difference is that, going forward, such questions can no longer be handled through ad hoc or informal responses. ***Organizations need to be able to demonstrate a consistent framework behind them.***

Pay transparency becomes an organizational issue when decisions must not only be made, but also explained.

Where do tensions first emerge?

Based on experience, the questions brought to the surface by pay transparency rarely concern the absolute level of salaries. They are much more about proportions, comparability, and consistency. **They typically arise when two roles appear similar yet fall into different pay bands, or when differences within a team are difficult to justify.**

These situations are often not the result of errors, but rather of an organization's historical development. Roles evolve over time, new responsibilities are added, while the job classification logic or pay band structure does not always keep pace with these changes. The system functions, **but not necessarily in a transparent way.**

In this sense, pay transparency does not "create" problems, but makes existing patterns visible.

Typical sources of organizational tensions

- Changes in roles
- Difficulty in explaining differences between pay bands
- Misalignment in job classification logic
- Managerial and HR dilemmas

When the focus shifts to data

As organizational frameworks begin to take shape, the role of data naturally comes to the forefront. From this point on, the question is not only what principles the system is based on, but also how these principles are reflected in the numbers. Where do differences appear, what patterns emerge, and which areas require further analysis.

At this stage, the focus moves beyond structures and enters the realm of data-driven decision support.

Numbers do not tell the full story on their own

One of the turning points in the practical implementation of pay transparency is when the organization no longer speaks only about principles and structures, but begins to support its operations with data. For many HR organizations, this phase is both exciting and uncertain: ***numbers appear objective, yet they can easily be misinterpreted.***

Pay data rarely provide clear answers on their own. An average or median pay gap does not in itself indicate a problem, just as the absence of such a gap does not automatically mean everything is in order. The real value of data lies in their ability to reveal patterns.

Interpreting unadjusted and adjusted differences

When analyzing pay differences, it is essential to distinguish between unadjusted and adjusted indicators. An unadjusted pay gap is a simple comparison: the difference between the average or median pay of men and women within a given group. This is a useful starting point, but it can also be misleading on its own.

Adjusted analyses, by contrast, take into account factors that meaningfully influence pay: ***role, level, experience, organizational unit, geographic location, or performance.*** Once these factors are controlled for, it becomes possible to see whether any differences remain that are difficult to justify.

At this stage, the role of HR is to communicate clearly what each figure shows—and what it does not.

Unadjusted data → Signal
Adjusted analysis → Interpretation
Patterns → Basis for decision-making

What does a system-level approach mean?

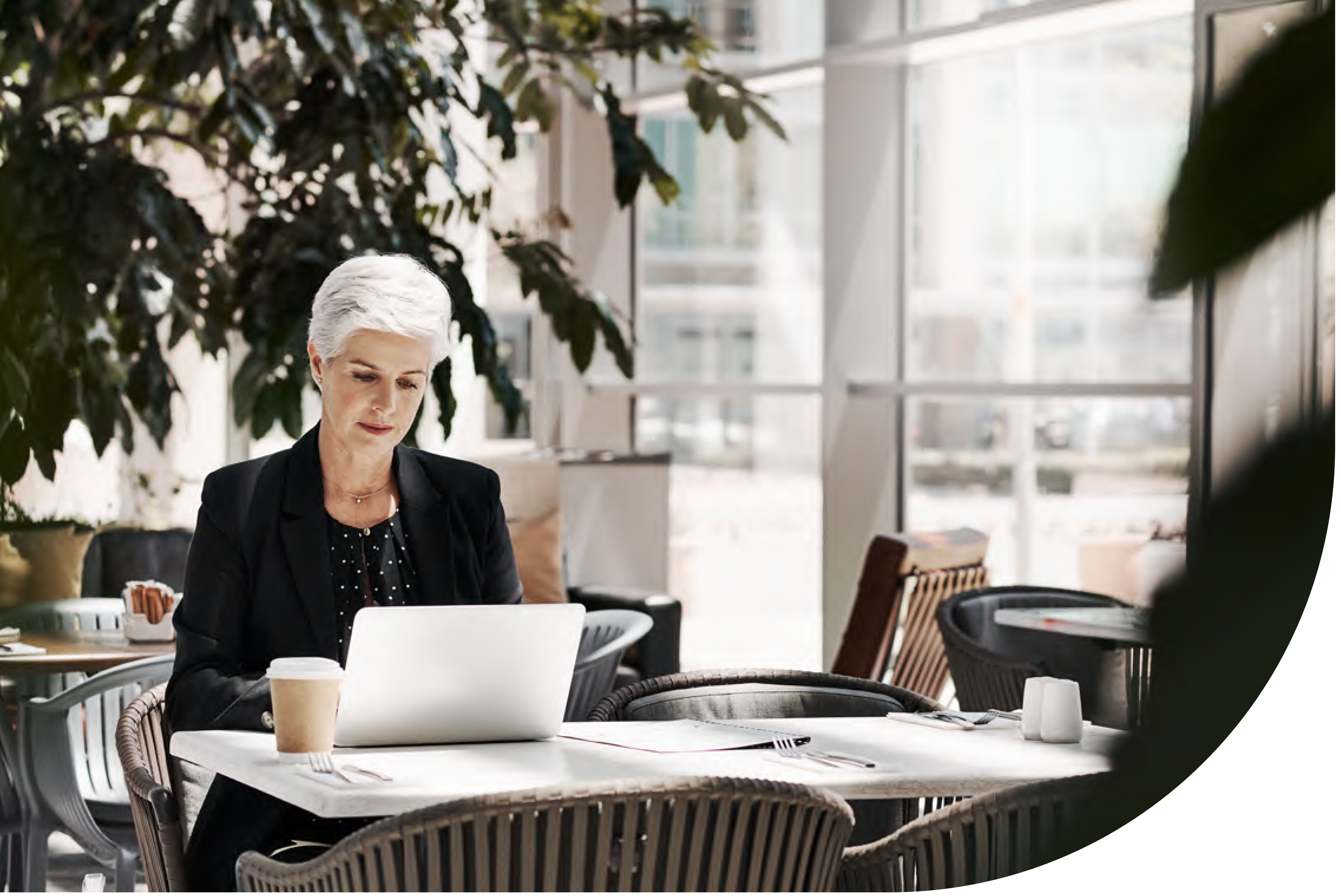
From a pay transparency perspective, the key question is not whether every decision in the past was ideal. Rather, it is whether there is a framework in place today that can accommodate and interpret those decisions. A system-level approach is built on:

- a clear job architecture,
- consistent classification principles, and
- transparent pay bands.

Such a framework does not limit managerial discretion. On the contrary, it supports it. It allows decisions to be understood not as isolated exceptions, but as part of a coherent structure. As a result, the focus gradually shifts from individual comparisons to how the system itself operates.

The question is not whether a decision was right, but whether we would make the same decision again in the same situation today.

Readiness audit as a structured self-assessment



A well-structured audit does not aim to answer every question at once. Instead, it establishes a sequence:

- first, the job architecture and classification,
- then the pay bands and data,
- and finally, communication.

This step-by-step approach enables pay transparency to be gradually embedded into the organization's operations.

Managerial and employee communication

Data and reporting

Job classification and pay bands

Job architecture

At this stage, many organizations ***feel the need to assess their current position in a structured way***. In this sense, a readiness audit is not an inspection, but a reflection of how the organization operates. It helps to identify where stable elements exist and where potential risk areas may emerge over time.

Entitlements and operational implications

The extension of information rights does not merely create an administrative burden. It also has operational implications for ***HR processes, data management, and internal collaboration.*** The organization needs to clarify in advance:

- who receives and handles individual requests,
- which data sources are used to compile responses,
- what deadlines and approval steps apply,
- how data protection is ensured during the provision of information.

These questions become truly important when the right to information is no longer theoretical, but actively exercised.

The advantage of a proactive approach

Based on international experience, those organizations are best able to keep pay transparency–related communication within manageable boundaries that do not wait for the first individual request.

Instead, ***they establish the information structure in advance, define key concepts, and apply a consistent narrative.***

This does not mean that every question must be answered in advance. Rather, it means that the organization responds in a prepared manner, guided by consistent principles.

In this way, communication becomes not a form of crisis management, but a natural part of operations.

The focus remains on how the system operates

At this stage, pay transparency continues to appear primarily as a system-level issue. The focus is on how information provision is integrated into HR processes, data management, and decision support. Handling individual conversations and managerial situations requires a separate and subsequent focus.

What does preparing for pay transparency really mean?

In the context of EU pay transparency regulation, it is easy to focus solely on legal compliance. However, the previous chapters demonstrate that preparation is far more complex: it is not a one-off project, but a conscious reconsideration of the logic behind pay decisions.

In this sense, pay transparency is not about individual salaries, but about the consistency, justifiability, and defensibility of decisions.

The challenge is not providing the information, but ensuring that everyone operates from the same system.

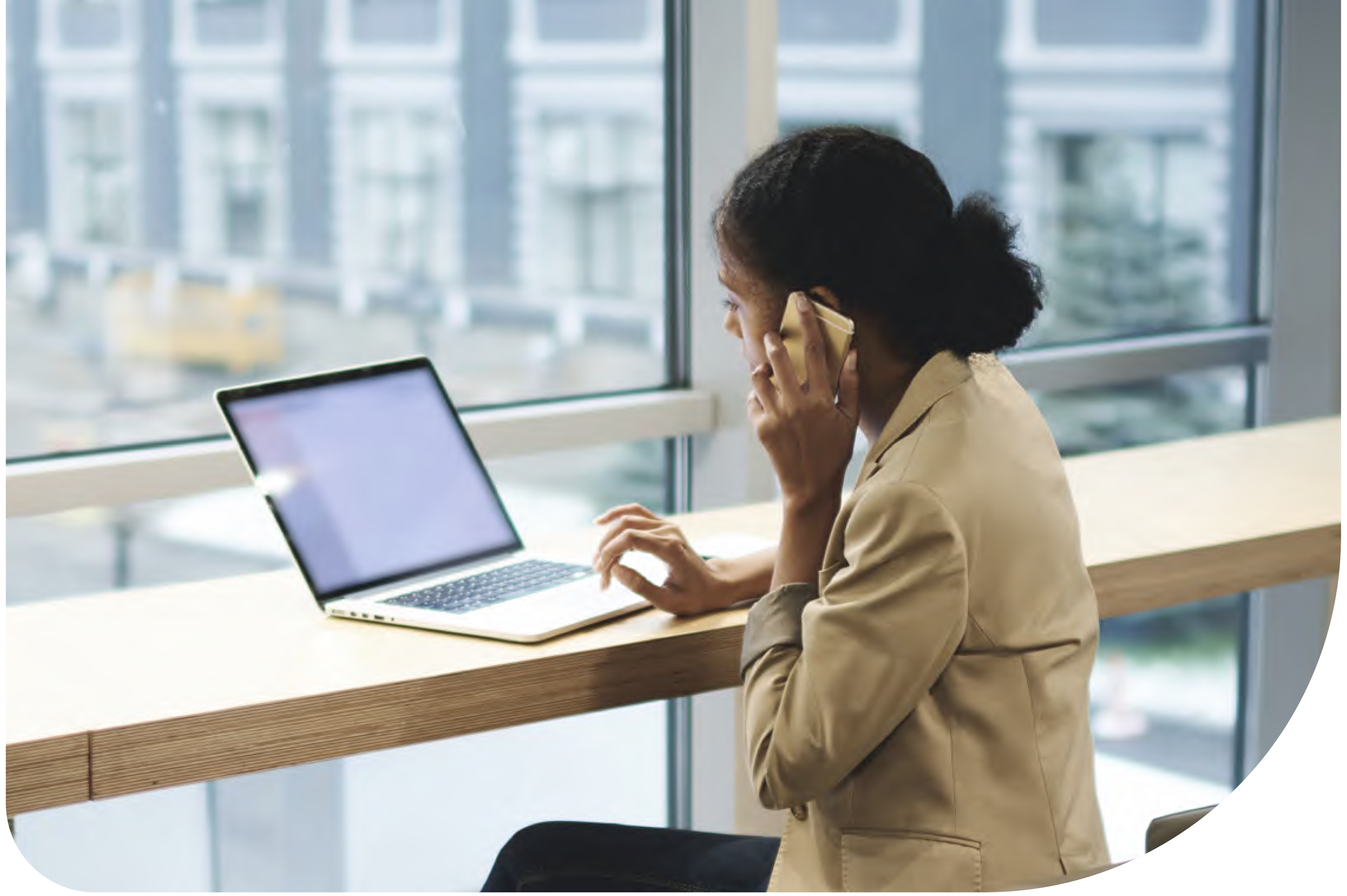
The issue is not the lack of data, but that people are not talking about the same thing.

One of the most critical prerequisites of a data-driven approach is data quality. In many organizations, it is at this point that it becomes apparent that HR and payroll systems operate based on different logics when handling roles, classifications, or compensation elements. ***The data exist, but they are not always comparable.***

From a pay transparency perspective, the goal is not for all data to be perfect, but for them to be consistent. Standardized job master data, aligned coding structures, and clearly defined categories all contribute to keeping analyses interpretable.

This is often less visible work, yet it is fundamental. ***Effective decision support almost always begins with putting data structures in order.***

Data-Driven Pay Transparency: Employee Categorisation and Decision Support



Employee categories: where should the boundaries be drawn?

One of the most sensitive aspects of analysis is the definition of employee categories. If groups are too broad, differences become blurred; if they are too narrow, the data lose their statistical relevance. Finding the right balance is a strategic decision.

Effective categorization ***reflects both the organization's operating logic and managerial responsibility levels.***

It is advisable to establish groupings that can be linked to decision-making authority. In this way, analyses not only highlight issues, but ***also indicate points for action.***

Dashboards and decision support

In the long term, pay transparency works best when it becomes embedded in managerial decision-support tools.

A well-designed dashboard does not aim to overemphasize details, but rather to ***direct attention to what matters: where differences exist, how trends evolve, and which areas require further investigation.***

Such tools help ensure that pay transparency does not become a series of ad hoc reactions, but a structured and trackable process.

The focus gradually shifts from the question ***"why is there a difference?"*** to ***"what do we do about it?"***

The real value of data-driven pay equity analysis lies in its ability to ***make organizational operations visible at a systemic level.***

At this stage, pay transparency appears as an operational issue: what data the organization uses, how they are interpreted, and how they are integrated into decision-making.

The next step is ***to embed this system within the organization making it part of everyday HR and managerial practices.***

Mandatory disclosures and employee communication

Information provision as a system, not as a message

One of the most visible elements of the Pay Transparency Directive is the ***extension of information obligations***. This may easily create the impression that it is primarily a matter of communication. In practice, however, information provision is not a standalone message, but the final step of a complex operational process. Mandatory disclosure can only function in a predictable way if it is supported by ***stable structures, consistent data, and coherent decision-making principles.***

The three levels of information provision

1

Organization-level information provision

This includes aggregated reports on gender pay gaps, as well as the presentation of measures based on these findings. These documents do not focus on individual salaries, but on patterns, trends, and organizational responses. ***The objective is to strengthen transparency and accountability.***

2

General information provision at employee level

The Directive requires that employees receive regular information about their rights, the processes related to pay transparency, and the principles applied by the organization. This level is closely linked to day-to-day operations: ***what a pay band means, how classification can be interpreted, and which channels are available for raising questions.***

3

Individual-level information provision

The most sensitive level concerns individual information. Employees are entitled to request information about their own pay, as well as the average pay of employees of the opposite gender performing the same or work of equal value. This type of information provision is ***directly linked to data management, deadlines, and internal responsibilities.***

The following five points summarize what leaders should take away about pay transparency.

Pay transparency is about decisions, not salaries
The key question is whether the principles behind pay decisions are clear and defensible, not who earns how much.

The greatest risk is inconsistency
A pay difference in itself is rarely the issue. The real risk arises when similar situations lead to different decisions without consistent principles.

Data do not provide answers, but direction
Analyses do not deliver judgments, but reveal patterns to which management must respond consciously.

Transparency is an operational issue
Credible communication is only possible if the underlying system – roles, pay bands, and decision rules – is already structured and in order.

Preparation creates time; delay creates pressure
Organizations that are ahead are those that do not start reacting at the moment obligations arise, but instead build their systems in advance, gradually.

When pay transparency becomes a communication situation

In practice, pay transparency emerges as a communication situation within organizations.

In practice, pay transparency does not become visible primarily through reports or data disclosures, but when ***employees begin to ask questions about pay.*** These situations often arise not as formal legal or HR processes, but within managerial conversations.

Pay transparency therefore also requires communication readiness within organizations.

Typical situations in practice

- Employees request information about their own pay level or the average pay for comparable roles
- Questions arise about how pay bands and the classification system operate
- Comparisons and fairness concerns emerge in managerial discussions

The greatest risk is not the lack of data, but ***inconsistent communication***.

If it is unclear who responds to these questions and within what framework, contradictory messages can easily emerge, leading to trust issues, complaints, or even legal disputes.

For this reason, pay transparency is not only an HR or legal issue: ***it is also a managerial communication challenge.***

In the next chapter, we present concrete Q&A examples to illustrate communication patterns that support the development of consistent response frameworks.

Pay transparency is not merely an HR or legal issue: organizations must also develop managerial communication readiness.

Common questions and possible responses in managerial situations

On the purpose and rationale of the system

Why is all of this necessary?

Answer: To ensure that everyone understands the principles behind pay decisions. It is not about everyone earning the same, but about having a system that is predictable and transparent: one that does not operate based on surprises.

Does this mean the system has not been fair so far?

Answer: That is not the point. The system has been functioning, but now we aim to apply the underlying principles more consciously and transparently: principles that were often not explicitly stated before. This is more about evolution than correction.

Job classification, pay bands, and individual position

Why am I not at the top of the band?

Answer: The pay band reflects the range of value for a given role. Position within the band is influenced by several factors, such as experience, level of responsibility, and competencies. If you would like, we can go through what is needed for the next step.

Why can't everyone be placed at the maximum?

Answer: If everyone were at the top of the band, the band would lose its meaning. The upper range indicates a direction: what can be achieved through experience and development. This is what ensures the system remains sustainable in the long term.

Comparisons and tensions within the team

X said they earn more than I do – is that true?

Answer: I cannot and would not discuss the specific pay of other colleagues. However, we can look at your situation: where you are positioned within the band and what that means in practice.

Situation: An employee feels tense and believes they have been treated unfairly.

Recommended communication steps: "I understand that this creates uncertainty."
"We cannot discuss specific salaries, but we can talk about how the system works."
"Let's look together at what you can influence now and what your next steps could be."

Market arguments and immediate expectations

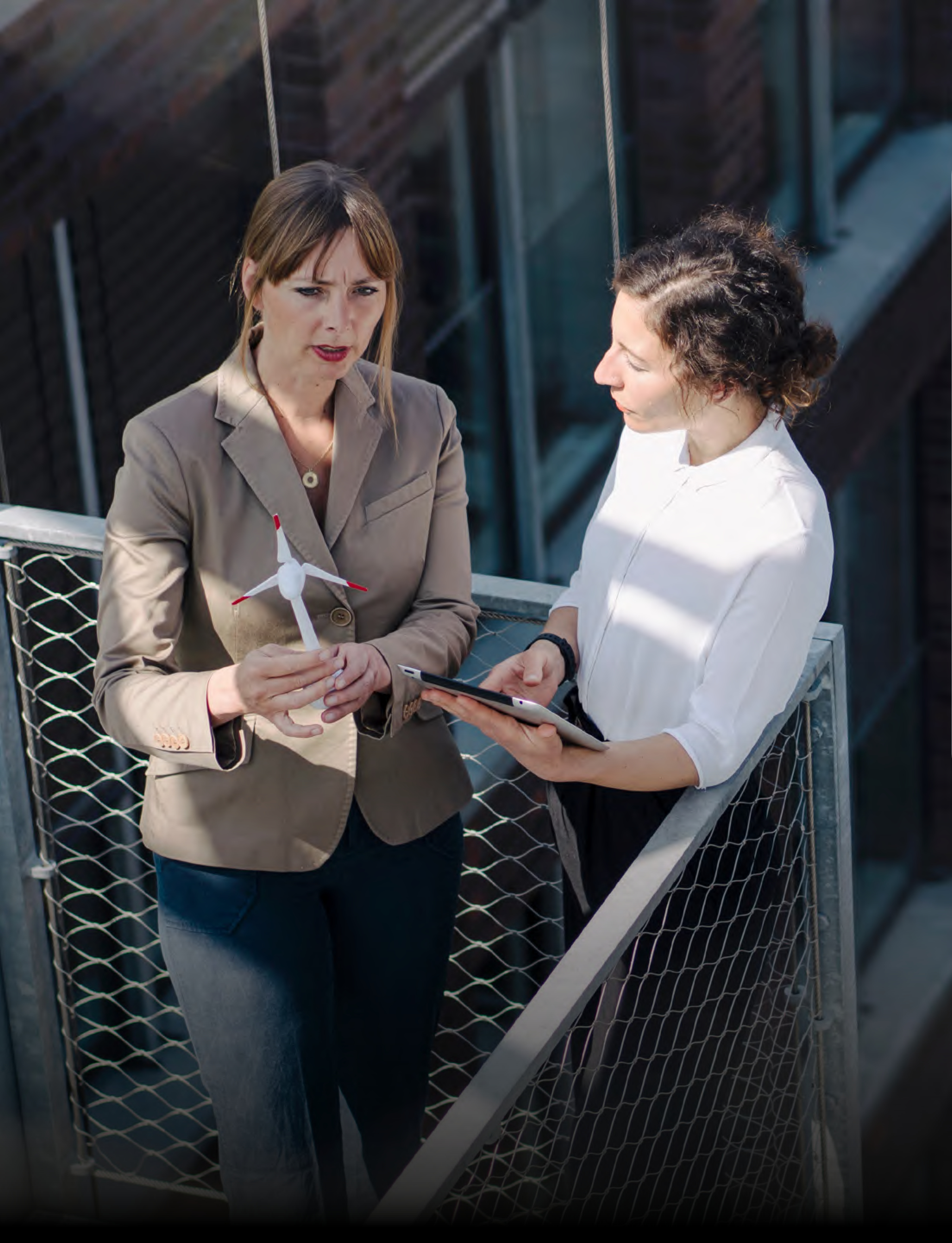
The market pays more elsewhere. Why don't we increase salaries?

Answer: We do monitor market data and periodically review our pay bands. If we see a sustained gap in a particular area, we address it.

At the same time, decisions always need to be made within the context of the overall organization.

Does this mean automatic salary increases?

Answer: Not automatically. The aim of pay transparency is to ensure consistency in decision-making.
Where justified, changes will be made, but always based on the role and the individual situation.



A brief guide for managers

Worth avoiding:

- referring to specific colleagues,
- making promises where no decision has been made,
- rushed explanations under pressure.

What helps:

- referring back to the shared framework ("according to the logic of the system…"),
- acknowledging feelings without making commitments,
- leaving space for follow-up ("let's come back to this").

Difficult questions are not situations to be avoided, but ***opportunities for the organization to demonstrate consistency and build trust***. Well-prepared managerial communication connects regulatory expectations with day-to-day operations.

Key concepts for understanding pay transparency

Pay transparency is not a single rule or administrative obligation, but a system of interrelated concepts and operating principles.

Clarifying the following key concepts helps organizations approach pay transparency not as isolated compliance steps, but as a comprehensive operational framework. This perspective ***provides the foundation for developing compensation practices that are more predictable, fair, and sustainable in the long term, while also meeting regulatory requirements.***

Why is this important for employers?

A well-functioning pay transparency system not only supports legal compliance, but also:

- contributes to strengthening employee trust,
- reduces the risk of legal disputes and internal tensions, and
- results in more stable and predictable HR operations over the long term.

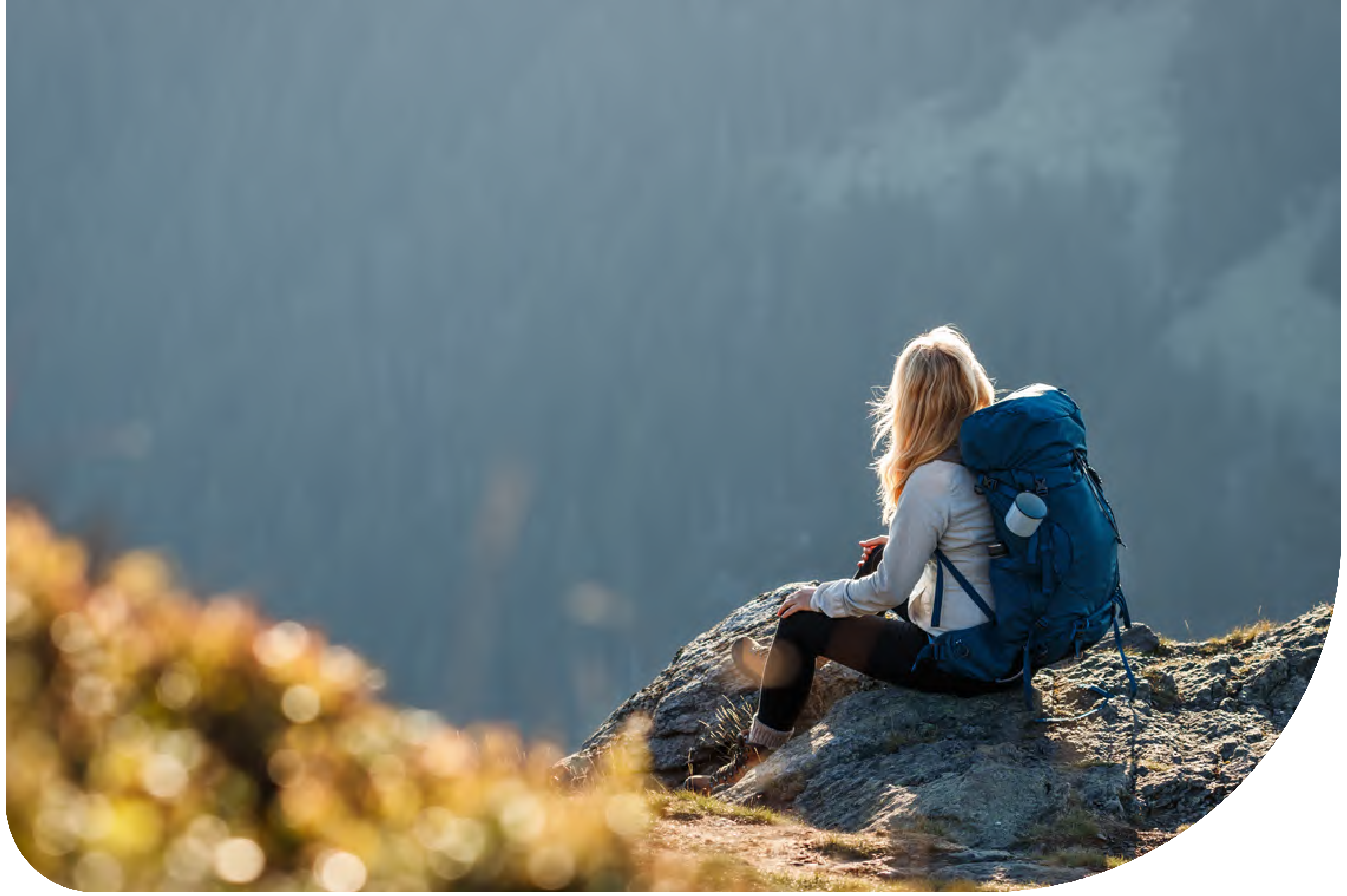
1. Pay transparency

Pay transparency is a compensation practice in which the principles for determining pay, the structure of pay bands, and the decision criteria are transparent, consistent, and justifiable. It does not mean making individual salaries public, but ***ensuring that employees understand the objective factors that determine compensation.***

2. Equal pay for equal work

The principle of "equal pay for equal work" means ***that employees performing the same role must not be paid differently on the basis of gender.*** This principle is a fundamental requirement of EU labour law, aimed at ensuring non-discriminatory employment.

In practice, this means that for positions involving the same tasks, responsibilities, and expectations, any differences in pay must be justified by objective, documentable factors



(such as experience, performance, or specialized expertise). The principle does not prohibit pay differences, ***but requires their transparent justification.***

3. Work of equal value

The concept of work of equal value goes beyond comparing identical roles. It is used to evaluate different positions that may ***vary in their tasks, but overall require similar levels of expertise, responsibility, and effort.***

From a pay transparency perspective, this is one of the most complex concepts, as it requires objective job evaluation. Employers must be able to demonstrate the methodology used to determine whether two different roles are of equal value or why they are not.

4. Pay band

A pay band defines the lower and upper salary limits assigned to a specific role or job level, within which an employee's pay may fall. ***Pay bands are fundamental elements of a pay transparency system***, as they provide a framework for compensation decisions.

Position within a pay band is determined by factors such as experience, level of competence, responsibility, and performance. ***A well-designed pay band helps avoid ad hoc negotiations and supports consistent and justifiable compensation decisions.***

5. Classification

Classification determines which job category and pay band an employee belongs to. ***It is typically based on the value of the role, rather than on the individual's personal characteristics.***

In a pay-transparent system, classification principles are predefined, documented, and applied consistently to all employees. This is ***essential for reducing the risk of discrimination.***

6. Job architecture

Job architecture refers to the structured and transparent organization of all positions within the company, including job families, levels, and career paths. It provides the foundation for comparing work of equal value.

Pay transparency cannot function without a consistent job architecture, as without it, it is not possible to objectively determine which roles are comparable.

7. Gender pay gap

The gender pay gap measures the difference between the average or median pay of male and female employees within a given organization or group. The aim of the Directive is not to eliminate all differences, but ***to identify and address unjustified disparities.***

On its own, this metric does not prove discrimination, but it serves as an important indicator that may justify further analysis.

8. Total compensation

Total compensation includes not only base salary, but all monetary and non-monetary benefits, such as ***bonuses, allowances, cafeteria benefits, or other forms of compensation.***

From a pay transparency perspective, it is essential that the analysis of gender differences covers the entire compensation package, not just base salary.

9. Objective pay criteria

Objective pay criteria are predefined, gender-neutral factors on the basis of which pay can be determined. These may include, for example, ***job responsibility, experience, performance, or specialized expertise.***

One of the key elements of a pay-transparent system is that these criteria are documented and applied consistently.

10. Information obligations

Information obligations refer to the employer's duty ***to provide information about the operation of the pay system and pay differences, in the manner and with the content prescribed by law.***

These obligations may extend to authorities, employees, and employee representatives, and are closely linked to the quality of internal communication.

11. Right to employee information

The right to employee information means that employees are entitled to request information about their own pay level, as well as the average pay—broken down by gender—of employees performing the same or work of equal value. ***The purpose of this information is not to disclose individual salaries, but to ensure that the pay system is transparent and verifiable.***

In practice, this right is typically exercised through written information based on aggregated data, provided within predefined deadlines. For employers, this also means that the logic behind pay decisions and classification principles must be clearly documented, as these form the basis of the responses.

12. Justifiability

Justifiability is a central concept of pay-transparent operation: it means that ***pay decisions are based on objective, predefined, and consistently applied criteria***, and that these decisions can be explained and substantiated when necessary.

Justifiability is not only a legal requirement, but also an operational one. In a well-structured system, the employer is able to demonstrate why an employee belongs to a given pay band, what justifies their position within the band, and under what conditions progression is possible. This reduces the risk of legal disputes and internal conflicts, while strengthening employee trust and organizational credibility.

Our experts are at your disposal. Please feel free to contact us.

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