

What is the new Pay Transparency Directive?

As [Věra Jourová](#), Vice-President for Values and Transparency, said last December, “*equal work of men and women deserves equal pay and transparency is key to make sure this becomes a reality. Today we are taking another step away from discrimination and one more step closer to equality.*”

The [gender pay gap](#) is the difference between the average gross hourly earnings of female and male employees, as a percentage of average gross hourly earnings of male employees. Moreover, pay discrimination can even occur between same-sex workers. It is not limited to comparing people performing the same or similar tasks, but it also applies to those cases where men and women perform work that is different in content, involves different responsibilities, requires different skills or qualifications, and is performed under different conditions but is overall of [equal value](#).

While there have been many discussions about eliminating the gender pay gap and ensuring equal pay, progress has been slow. The gender pay gap results from various inequalities in the labour market, including gender segregation in employment and education, a lack of women in managerial positions, a lack of adequate work-life balance, as well as pay discrimination.

The lack of transparency in wages is another important cause of the continuation of the gender pay gap on individual and structural levels, as it makes it more difficult for individuals to detect and report pay discrimination cases. Workers with a definite contract are often bound with secrecy regarding their salary. In such a context, it is very difficult for an employee to become aware of discrimination in pay, particularly in additional perks which are mostly left to the discretion of the employer.

In March 2021, the European Commission issued a proposal for a [Directive on Pay Transparency](#), and this year, the Pay Transparency Directive was officially adopted. This means that Member States have up to three years to transpose the new rules into national legislation.

The Directive aims at fighting pay discrimination and closing the [gender pay gap](#) in Europe, which remains at 12.7% on average in the EU in 2021 (Malta is at 10.5%). This means that women in the EU earn on average 12.7% less than men per hour. In Malta, the gender pay gap is most prominent in the real estate, financial and insurance sectors, at 25.6% and 24.1%, respectively. This is mostly attributed to the fact that men tend to be more present in these sectors, and more men hold decision-making positions than women.

In this context, transparency is being considered as a strong tool to address the gender pay gap requiring organisations to openly share information about their pay structures, policies, and practices. Transparent reporting can help identify and address inequalities thus supporting employers to take steps towards equal pay structures in line with national and EU legislation.

The gender pay gap significantly affects women's lives in both the medium and long term. It increases their vulnerability to poverty and contributes to the current [gender pension pay gap](#), which stood at around 26% in the EU in 2022, with Malta experiencing an even higher rate of 41.8%

In order to highlight such discrepancies, access to information will be mandatory for employers under the [new Pay Transparency Directive](#). They will be required to disclose the starting salary or pay range for advertised positions to job seekers, either in the job vacancy or before the interview. Additionally, employers will not be allowed to inquire about a candidate's pay history.

Once hired, employees will have the right to request information from their employers regarding average pay levels for specific categories of employees doing similar work or work of equal value. The criteria used for determining pay and career progression must be objective and gender neutral.

Reporting obligations on the pay gap between female and male workers will come into force by 7 June 2027, when employers with 250 workers or more must start providing information annually, whilst employers with 150 to 249 workers must start reporting every three years. Moreover, employers with 100 to 149 workers shall initiate the same three-year reporting

cycle by 7 June 2031. These regulations ensure that reporting obligations adapt to the scale of each company, promoting transparency and compliance.

If a company's report reveals a gender pay gap exceeding 5% which is not based on objective and gender-neutral factors, the company must take action by conducting a joint pay assessment in collaboration with workers' representatives.

Under the new Directive, workers who experience gender pay discrimination will be entitled to compensation, including back pay, bonuses, or other related benefits they were denied.

By promoting pay transparency, the new rules aim to enable workers to detect and challenge potential gender-based discrimination between men and women. The goal is to identify and address unconscious gender bias in pay systems and job grading that undervalues the work of women compared to men, even when such bias is unintentional.

Currently, the NCPE is finalising the NCPE's Equal Pay Tool, which aims to assist organisations to check equal pay for work of equal value between women and men. This Tool evaluates the overall relation between the value of work and pay within the organisation and determines whether gender is a contributing factor in determining pay.

Over the years, the [National Commission for the Promotion of Equality \(NCPE\)](#) has been actively working to address unequal pay and its consequences through various means of communication in both traditional and social media. This Directive should bring about substantial change to reach equal pay for all workers, be they women or men.

The National Commission for the Promotion of Equality (NCPE) can be contacted on: 2276 8200, equality@gov.mt or NCPE's social media platforms (Facebook, Instagram, and Twitter - NCPE.Malta)

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