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Study on Pay Transparency

gradar
the job evaluation engine

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1. Executive Summary

Pay transparency is no longer a distant ideal - it's a strategic imperative. As we approach the 2026 deadline for EU member states to enact the Pay Transparency Directive, organisations across Europe are facing a moment of reckoning. The conversation has shifted from if transparency should be implemented to how it can be done responsibly, effectively, and sustainably. 2025 will mark the year of calls for greater equity and accountability will grow louder, as it is the last year before the EU directive will be transposed into the national law of all EU member states.

Companies are now being challenged to re-evaluate how they approach compensation practices. Nowhere is this more pronounced than in Europe, where new regulations and shifting employee expectations are driving significant change. As companies are slowly starting to realise the urgency around the preparation for the EU Pay Transparency Directive, HR and Total rewards leaders are faced with more complex requirements and, at the same time, come around with more questions around the best approach, necessary practices and success-driving compensation practices in moving toward greater pay transparency.

To better understand the real-world state of pay transparency, we conducted an in-depth study across a diverse set of organisations. This research provides unique insights into how transparency is currently implemented, perceived, and measured. Our research reveals a growing recognition: transparency alone isn't enough. Without a solid foundation - clear structures, consistent data, and a thoughtful approach - organisations risk unintended consequences that could erode trust rather than build it. One finding stands out above the rest: job architecture is emerging as the critical framework that connects all compensation data points. As the backbone of equitable pay practices, it enables clarity, consistency, and defensibility - three essentials for any transparent system.

Drawing from this data, we offer strategic recommendations for organisations aiming to improve transparency in a way that aligns with both regulatory requirements and employee expectations. Our goal is to provide decision-makers, HR leaders, and policy influencers with a comprehensive, evidence-based resource to inform meaningful progress toward fairer, more transparent pay practices.

2. Introduction

2.1 Current Context: The EU Directive on Pay Transparency

"When it comes to equality, the EU has a persistent problem: the gender pay gap. Despite existing legislation promoting equitable pay, women in the EU still earn an average of 12.7% less per hour than men. So, how can the EU combat this deeply ingrained and seriously far-reaching issue? Enter the EU Pay Transparency Directive. By mandating pay transparency and strengthening enforcement mechanisms, this no-nonsense legislation – due to come into full force in 2026 – is set to tackle the gender pay gap at a root cause level" (Mackay, 2025).

For companies in the European Union (EU), the principle of pay transparency is no longer a recommendation – it is a legal requirement. The EU Pay Transparency Directive is already reshaping how organisations approach compensation. **By June 2027, companies with over 150 employees must submit their first report under the new rules, though as of 2026, certain requirements apply to all employers, regardless of size.** Yet, many have yet to act. A flash survey conducted by gradar in 2024 found that less than one-third of the surveyed companies had already begun preparations. A surprising figure, considering that 2025 will most likely be the last chance for most organisations to assess pay structures and remediate any pay indifferences before their first report must be published.

What is pay transparency?

In recent years, pay transparency has emerged as a vital tool in addressing pay discrimination. **Pay transparency refers to the organisation's practice of clearly communicating pay information to employees and job candidates (Brown et al., 2022).** In the academic context, pay transparency is considered on three dimensions: It encompasses the distributive transparency, which refers to sharing and making available information regarding compensation levels, the procedural transparency, referring to making the information about compensation processes available, and lastly the communicative transparency refers to whether employees are allowed to speak freely about their pay (Holtzen, 2022; Marasi & Bennett, 2016; Montag-Smit & Smit, 2021; Smit & Montag-Smit, 2018). Further, pay transparency is key in tackling the persistent gender pay gap - which, as of 2023, stands at 12% across the EU, according to the European Commission (Eurostat, 2025). While attitudes around pay discussions are changing, much work remains.

Understanding the EU Pay Transparency Directive

> **The EU's Pay Transparency Directive aims** „to strengthen the application of the principle of **equal pay for equal work** or **work of equal value between men and women** […] and the **prohibition of discrimination** […], in particular through **pay transparency** and reinforced enforcement mechanisms"
> *(Directive (EU) 2023/970 on pay transparency, OJ L 132, 17.5.2023)*

The Directive calls for swift action – identifying pay gaps, updating compensation frameworks, and educating both managers and the workforce. However, unanswered questions remain regarding the implementation, the legal requirements for pay transparency in organisations across the EU and what measures show effects in moving toward greater transparency. The Directive's objective is to establish minimum standards for pay transparency across the EU, empowering workers to assert their right to equal pay and reducing the enduring gender pay gap (Directive (EU) 2023/970 on pay transparency, OJ L 132, 17.5.2023.).

It will apply to all employers regardless of their size and is set to be implemented into local law by 2026. That said, the obligation to deliver detailed reports on pay transparency will be tailored to the size of the employer. This legislation marks a major shift. It tackles pay inequality at its roots with mandatory – not optional – transparency and reporting requirements across all EU member states. Unlike past measures, this Directive comes with strong enforcement, holding employers accountable for meaningful progress.

Key elements of the Directive

The Pay Transparency Directive aims to do so by enforcing pay equity through increased pay transparency with the help of the following instruments and enforcement mechanisms:

EU Pay Transparency Directive

Transparency Instruments

- Pay transparency prior to employment (Art. 5)
- Transparency of pay setting and pay progression policies (Art. 6)
- Right to Information (Art. 7)
- Reporting on pay gap between female and male workers (Art. 9)

Remedies & Enforcement

- Procedures on behalf or in support of workers (Art. 15)
- Shift of burden of proof (Art. 18)
- Penalties (Art. 23)

Central Institutions

- Monitoring and awareness (data collection and analysis)
- Equality bodies

Definition of equal work/work of equal value using objective, gender-neutral criteria (Art. 4)

Figure 1: Key Instruments and Enforcement Mechanisms of The EU Pay Transparency Directive

Many organisations, however, are not yet prepared to address the significant requirements of this legislation. The Directive challenges employers to adapt quickly, whether by identifying potential pay disparities, introducing job architectures, optimising compensation frameworks, or fostering transparency through education of management and employee communication.

2.2 Breaking the Silence: What's Still Holding Organisations Back From Becoming (More) Transparent?

Some might ask since when is there a legal ban to pay discrimination in Europe? Well, to be exact, the principle of equal pay has applied since 1957. This means women and men should have been paid equally for 60+ years! "As early as the Treaty of Rome of 1957, equal pay was established as a constituent principle of the European Community" (gradar.com, 2024) and is also included in Article 157 of the Treaty on the Functioning of the European Union which enshrined the **principle of equal pay** and made it a binding obligation for all EU member states.

As the EU has become more integrated, the issue has been highlighted multiple times, notably through the **"Equal Treatment Directive" 2006/54/EC** and the related recommendations issued in 2014 (2014/124/EU). In addition to Article 1957 TFEU, the Gender Equality Directive (2006/54/EC) offers a more detailed legal framework that requires EU member states to ensure equal pay and establish enforcement mechanisms.

So, if laws exist, why do women in the EU still earn 12% less on average than men?

On average, women in the EU earned 12% less per hour than men in 2023 (Eurostat, 2025). Although the gender pay gap in Germany has decreased by 2 percentage points compared to the previous year, it still persists. As of 2024, the unadjusted gender pay gap in Germany stands at 16%, while the most recent EU-wide data is from 2023. These figures represent the unadjusted gender pay gap, which compares the average gross hourly earnings of men and women without accounting for factors such as occupation, education, or employment models. There are several underlying causes for this gap, including the overrepresentation of women in lower-paid sectors or roles, limited access to flexible working arrangements that support career progression, and bias in hiring, pay-setting, or promotion decisions.

However, while the unadjusted pay gap indicates whether there is an imbalance in earnings between the gender groups, it does not measure whether women and men are paid equally for work of equal value. The adjusted pay gap considers the possible relevant factors influencing pay and equates them through a statistical model. The adjusted pay gap measures the extent to which the same salary is paid under the same conditions and is, thus, a good measure of inequality. For context, the adjusted gender pay gap in Germany currently still amounts to 6% (Statistisches Bundesamt (Destatis), 2025).

Despite the existing legal framework, persistent gender pay gaps across the EU and the lack of concrete transparency measures hindering the progress made it clear that stronger enforcement mechanisms are needed. Further, since the introduction of the 2006 Directive, the labour market has evolved significantly, with increasing demands for transparency and fairness in compensation.

But are laws truly effective if employees do not know whether they are being paid fairly?

Getting to the point, why did the EU introduce a new directive in 2023 if pay transparency was already addressed in 2006? The answer lies in what was missing: enforcement, accountability, and real access to information. The 2023 Directive aims to close this gap by introducing mandatory pay reporting and disclosure requirements. The EU Pay Transparency Directive (Directive (EU) 2023/970) was adopted on 6 June 2023, introducing stricter pay transparency measures, such as mandatory pay reporting and salary range disclosures. Member states must transpose this directive into national law by June 2026.

With gender pay gaps persisting and the EU Directive coming closer, can companies afford to ignore the growing call for transparency?

While the official **first reporting deadline in July 2027 for EU-based companies with more than 150 employees** may seem distant, organisations should act as soon as possible, as the process will take time! Complying with the EU Pay Transparency Directive will require organisations to undergo significant structural and cultural changes. Implementing fair pay policies, reviewing compensation structures, and ensuring data transparency are all part of the process, and the time required to complete these steps should not be underestimated. Furthermore, the data published in June 2027 will need to be based on the situation as of 2026.

Companies that delay risk legal consequences, potential reputational damage, and employee dissatisfaction. Reversely, organisations that take action now will not only comply with the EU Directive in time but also gain a competitive edge in attracting and retaining top talent in an increasingly competitive job market.

The real challenge is not whether transparency is the right move but whether organisations are truly ready for it.

However, while we made the case around the urgency of moving towards greater transparency, the journey toward full pay transparency is riddled with challenges. Previous research has shown that, taken by itself, pay transparency can have both positive and negative effects on employees. On the upside, it can increase pay equality (Obloj & Zenger, 2022), reduce the intention to change (Stofberg et al., 2022), or positively influence motivation (Cullen & Perez-Truglia, 2022). At the same time, it can lead to envy and less cooperation (Bamberger & Belogolovsky, 2017), reduce employee satisfaction (Schnaufer et al., 2022), or have an asymmetric influence on motivation or even lead to counter-productive behaviour (Grasser et al., 2023).

Who's afraid of the big bad wolf?

One thing is clear: regulations around pay transparency are becoming stricter. However, organisations worry about the unintended consequences of pay disclosure: Will it create unrealistic expectations, expose inconsistencies in pay structures, fuel perceptions of unequal treatment leading to a loss of trust of employees, and who is going to analyse all this data?

Another challenge is that many companies struggle with the operational side of the implementation, not just due to fear of internal conflict but also because of gaps in data, outdated Human Resources Information Systems, uncertainty about compliance requirements and a lack of personnel and financial resources.

From shadows to spotlight: Why pay transparency matters now

As mentioned above, studies show manyfold and sometimes contradictory effects of pay transparency on employees. Overall, these studies suggest that it is rather the underlying compensation system and its (un)fairness revealed by pay transparency that affects the employees. Thus, organisations should prepare and check their pay structures before moving to transparency.

What will you learn in this whitepaper?

Through this whitepaper, we intend to inform you about the current compensation practices within organisations, identify useful strategies from those already moving towards greater transparency, and highlight practices and strategies that may not need to be top priorities for organisations currently preparing for transparency. You will learn about the preparations other organisations have already made, which practices foster greater transparency, and why now is the time for organisations to assess their readiness. Is your company prepared to embrace openness, or will it continue to struggle with the consequences of secrecy?

Continue reading and find out!

3. Study Approach and Surveyed Organisations

3.1 Who Did We Ask and How Did We Ask?

For this whitepaper, we conducted an empirical study to gather insights and survey data from 216 different participants and their respective organisations. The data was collected over a period of 7 months, from the beginning of September 2024 to the beginning of February 2025.

The study employed a quantitative research design to systematically address the state of pay transparency within organisations, as well as its influential factors. More specifically, this study aimed to gain insights into the key figures around the readiness for pay transparency in organisations, the status of its realisation within organisations, current trends in compensation practices, and steps organisations have taken to prepare for the upcoming EU pay transparency directive.

Data was collected through an online questionnaire using appropriate scaling techniques to facilitate statistical analysis. Participants were recruited via email invitations, online panels such as webinars, live panels such as keynotes at fairs, professional networks, and social media (e.g. LinkedIn). All responses were provided anonymously with no ability to trace back respondents' identities or associated organisations/companies.

3.2 Survey Design and Scale Development

The questionnaire was developed based on established theoretical frameworks and existing literature to ensure validity and reliability. It comprised 45 structured questions, incorporating multiple-choice, Likert scale, and open-ended items to capture nuanced responses where applicable. The survey comprised three sections, each addressing key aspects relevant to the study.

The **first part** of the questionnaire focused on **demographic information** and sample characteristics. This data allowed for analysing trends and variations across different organisational profiles.

The **second section** explored a range of topics related to **current trends** in the implementation of job evaluation tools, the existence of job architectures, and current compensation practices. Respondents were also asked about their awareness level concerning upcoming pay transparency legislations and what actions their organisation has already taken to prepare for these.

In addition, a **third section** introduced a newly developed scale designed to assess the level **of pay transparency** within organisations. This scale consisted of 19 items and was derived from previous similar versions of transparency measures.

The scale's reliability was tested using Cronbach's Alpha, which serves as a statistical measure to assess the reliability of a set of items. Cronbach's Alpha was 0.85 for the Pay Transparency Scale, indicating a high level of internal consistency of the items.

3.3 Surveyed Organisations

The sample consisted of 216 participants, all of whom were asked to respond on behalf of their organisation, meaning all survey questions were framed to elicit responses from an organisational perspective.

The distribution of Respondents' roles

Participants roles within their organisations included various areas of HR, including senior management. As roles have been entered free text in different languages, they are difficult to visualise. A rough clustering shows that the vast majority of participants either worked within compensation and benefits or held a leadership role in their organisation. This ensured that responses reflected informed organisational viewpoints.

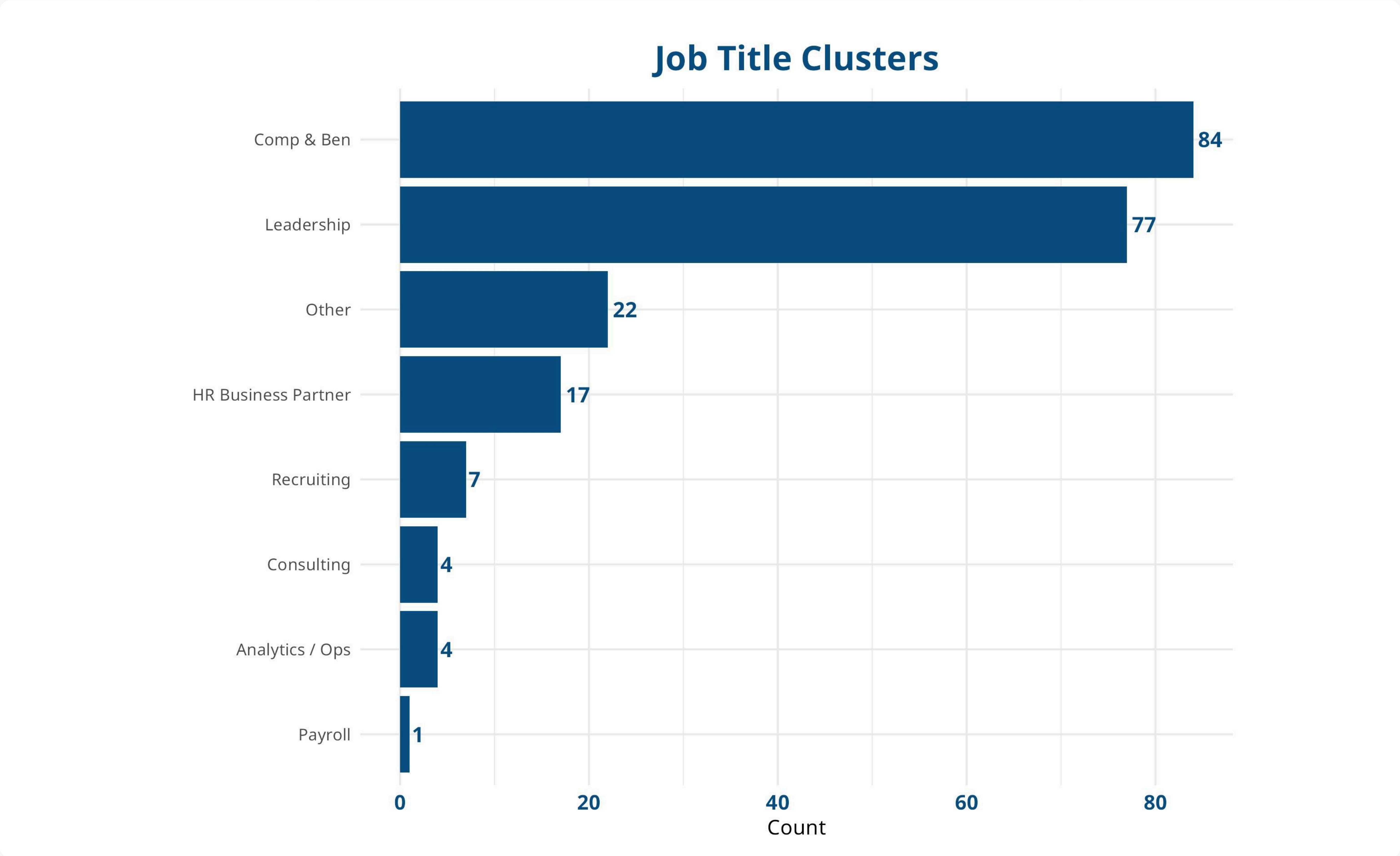

Figure 2: Most Common Job Title Clusters Among Respondents

Size of Surveyed Organisations

The organisations varied in size from small enterprises to large corporations, with exactly 50% of organisations employing 1.000 or more employees.

Please note, the distribution within the sample does not fully reflect the economic reality. Notably, smaller organisations are underrepresented, which is unsurprising. This may be because they are less likely to actively prepare for the EU Pay Transparency Directive or may not yet be directly impacted by it. In contrast, larger organisations typically have more resources and face greater regulatory pressure, likely prompting earlier engagement with the Directive.

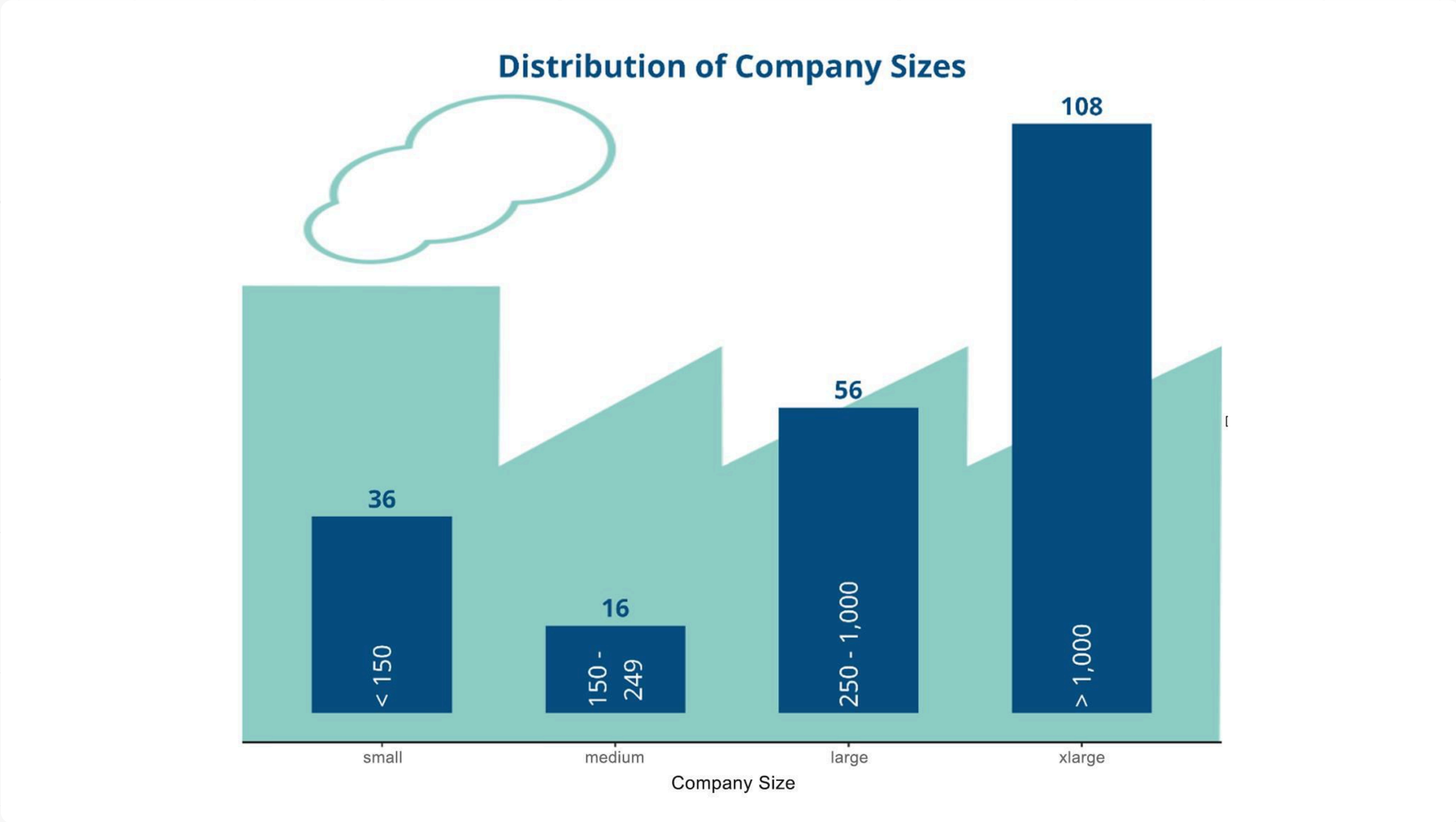

Figure 3: Distribution of Organisational Sizes Among Respondents

Sectors of Surveyed Organisations

The sample included organisations from a range of sectors, including Manufacturing, Service Activities, Information and Communication, Professional, Scientific and Technical Activities and more. The full range of options provided is based on the NACE system, which reflects the Statistical Classification of Economic Activities in the European Community.

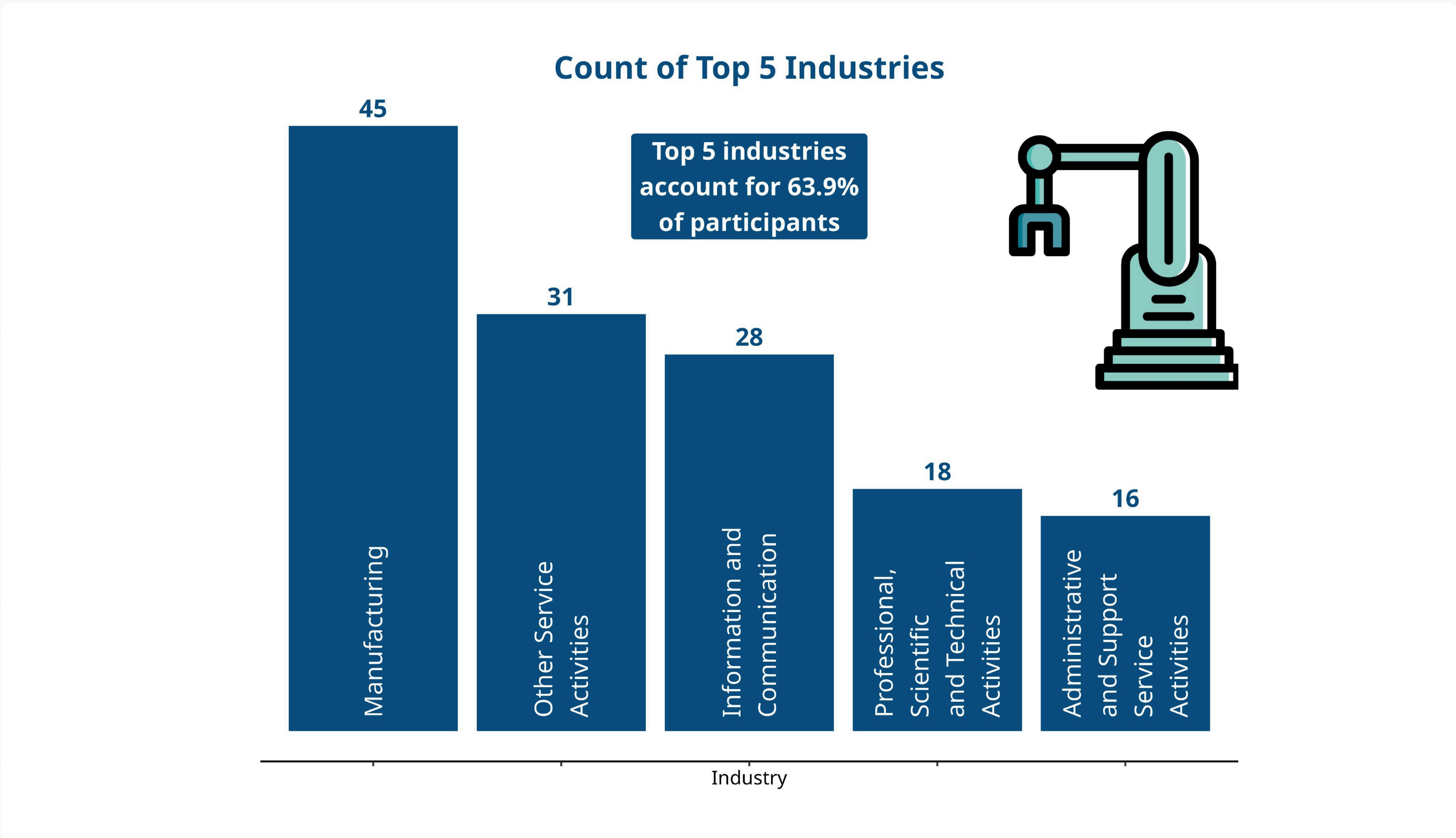

Figure 4: Top 5 Industries Represented by Surveyed Organisations

The Surveyed Organisations are located in:

The majority of participants of the survey work in organisations that are **headquartered in the following five key regions: Germany, Austria, Spain, the United Kingdom, and North America.** Together, these top five countries account for 77.8% of the total sample, with 168 out of 216 organisations being based in either of these five main regions. This concentration reflects a varied geographic distribution of the survey and allows for analysis of market dynamics and compensation practices across some of the most influential economic regions.

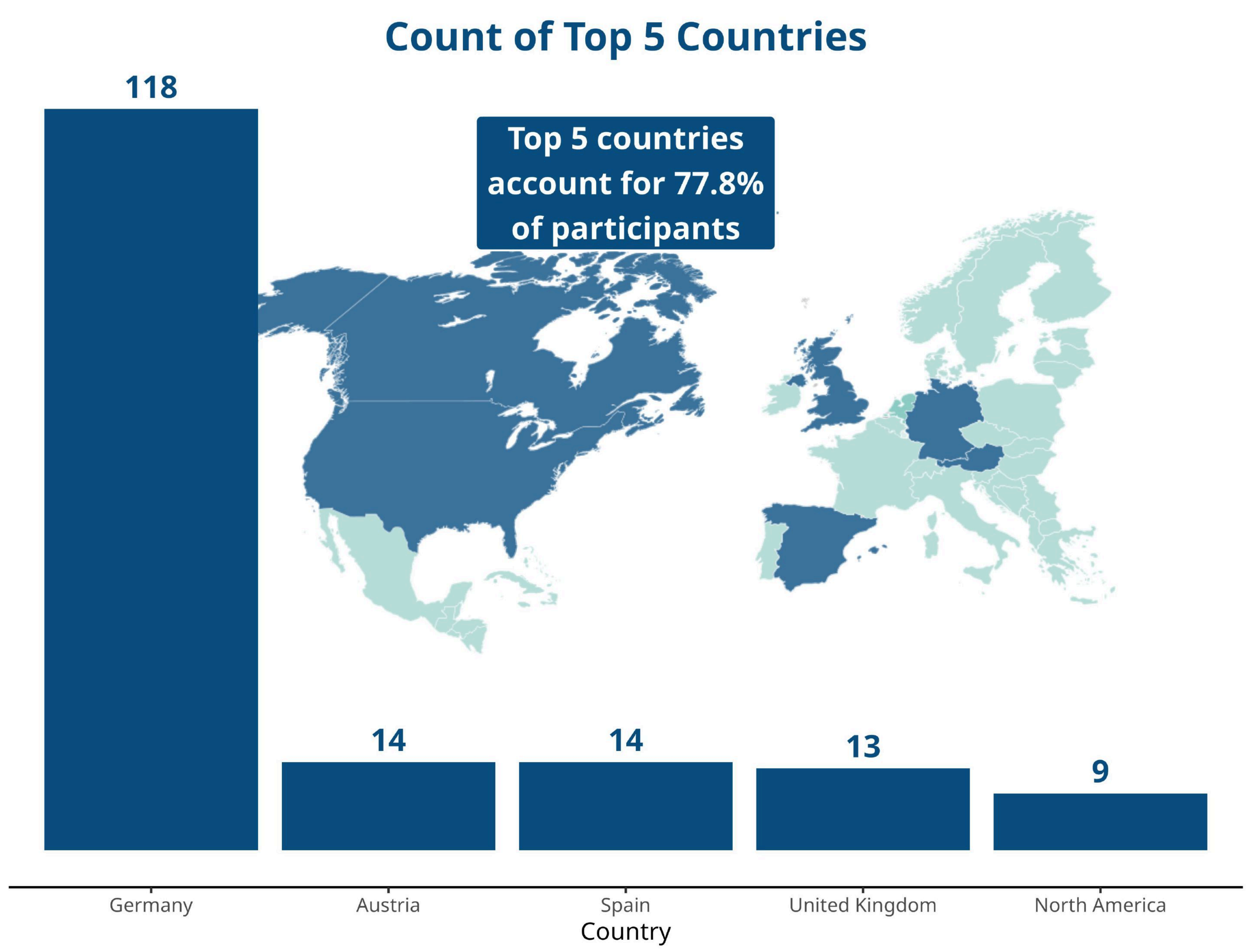

Figure 5: Top 5 Countries Represented by Surveyed Organisations

4. The Pay Transparency Awakening: Are You Ready For The Truth?

4.1 Trends - What do the numbers reveal?

EVALUATING JOBS AND DESIGNING PAY: THE NEW OR NOT SO NEW LANDSCAPE OF COMPENSATION MANAGEMENT

The graph below illustrates the range of pay-related practices currently adopted by organisations. These practices reflect varying practices in compensation structures. By examining these practices, we gain insight into how organisations are positioning themselves in response to both internal pressures, such as employee demand for fairness, and external forces, including regulatory requirements.

Nearly 70% of surveyed organisations report using pay bands to structure compensation. However, only 32% of these organisations base their frameworks on a formal job architecture. Despite the critical role that job architectures play in supporting consistent pay decisions and enabling clear career progression pathways, only 24% have fully implemented them. This low level of adoption is particularly noteworthy given the increasing emphasis on pay transparency, internal equity, and alignment with evolving regulatory requirements - areas in which job architecture offers a strong foundational benefit.

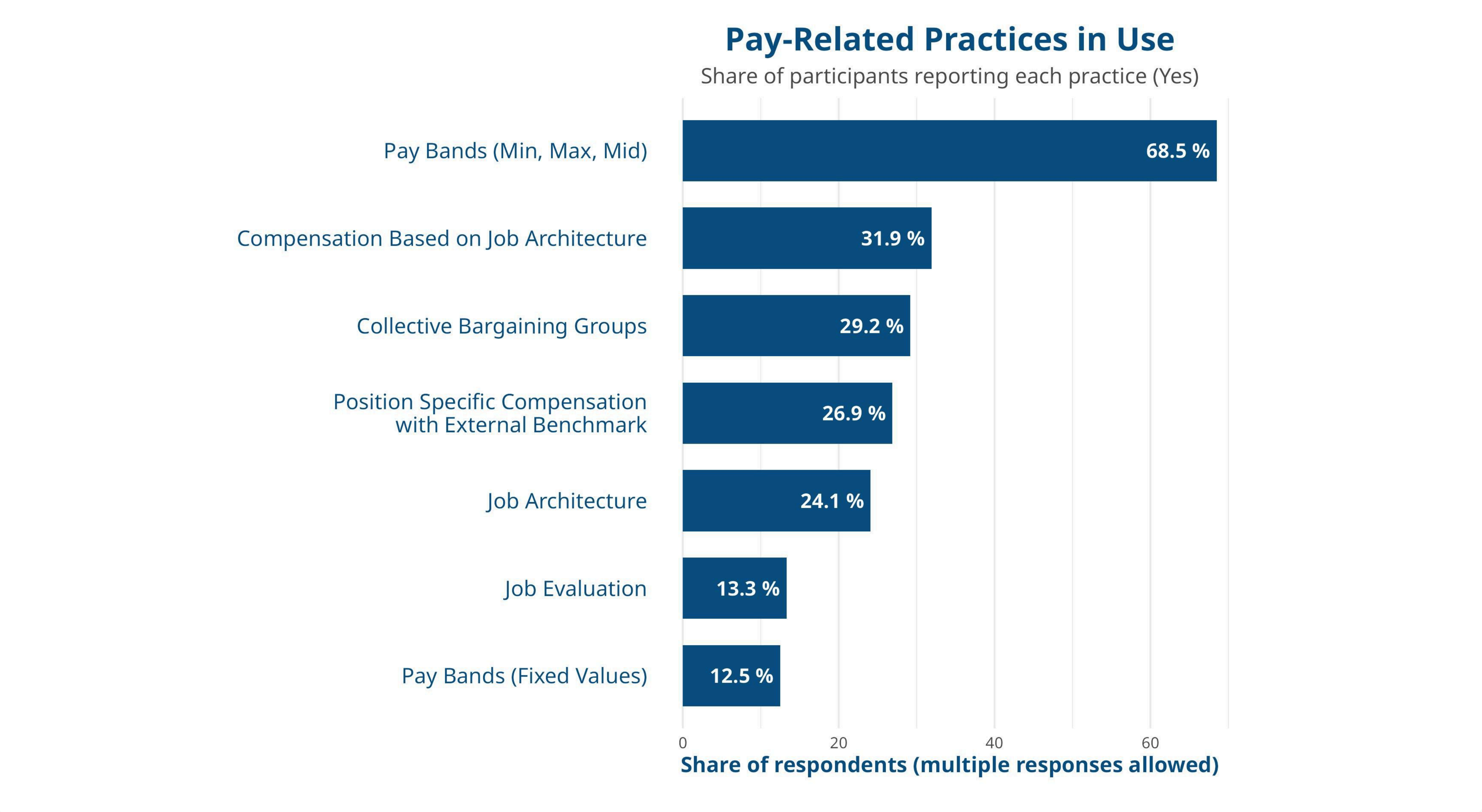

Figure 6: Prevalence of Pay Practices Among Participating Organisations

IS YOUR SALARY UP TO DATE? (AND DOES YOUR COMPANY EVEN KNOW?)

COMPENSATION PRACTICE 1: 88% OF ALL SURVEYED ORGANISATIONS REVIEW THEIR SALARIES AT LEAST ONCE A YEAR

A notable **88% of organisations indicated reviewing their salaries at least once in a year.** In other words, nearly **nine out of ten organisations claim to review salaries annually** – a figure that reflects both progress and potential, yet its effectiveness in fostering pay transparency varies. Questions persist regarding the depth, openness, and consistency of the processes behind setting pay.

On the surface, this consistency in salary review practices may suggest a commitment to fair and up-to-date compensation structures. Yet this figure may also be driven by other factors, such as the growing societal and employee expectations around fairness, the need to mitigate reputational risks associated with gender pay gaps or pay discrimination, and economic pressures such as inflation and the rising cost of living. In many cases, annual adjustments may reflect financial necessity rather than a strategic commitment to pay transparency or equity.

Additionally, retaining key staff remains a significant challenge within organisations, and annual salary reviews may serve more strongly as a talent retention strategy rather than automatically indicating mechanisms to promote transparent or equitable compensation systems. **A high frequency of reviews alone does not guarantee fair or transparent compensation systems.**

COMPENSATION PRACTICE: 82% OF ALL SURVEYED ORGANISATIONS ENSURE THAT SALARIES REMAIN COMPETITIVE AND ALIGNED WITH INDUSTRY STANDARDS

Closely tied to the previous findings on annual salary reviews, **82% of organisations reported that they actively ensure that their salaries remain competitive and aligned with industry standards (i.e. current market rates).** While this progress is seemingly progressive, it raises a critical question: How is the market data sourced and interpreted? Even more important, for the context of pay equity, is the question of whether the intention to benchmark salaries presents a strategic, consistent, and equitable approach to compensation or whether it simply is a reaction to current industry trends aimed at assessing the organisation's competitiveness.

Although market data is often considered an objective standard and used to justify pay differences for employees within similarly complex jobs, it does not come without its flaws. Particularly in male-dominated sectors, (historical) data may be the result and reflect existing gender-based pay disparities. For instance, basing compensation on benchmarks from male-dominated industries may unintentionally preserve biased pay structures and sustain systemic inequality.

Therefore, relying on such data without critically evaluating its source may lead organisations to reflect structural or market-wide inequalities between different gender groups for the sake of market competitiveness. **This highlights a crucial point relevant for combating pay inequalities: explanations solely based on market trends and traditions such as doing it "because it has always been done this way" risk perpetuating the very gender pay disparities they seek to overcome.**

Moreover, while aligning with market rates is a widely adopted practice, the decision-making processes behind market alignment often lack transparency if not a clear, systematic methodology. **If benchmarking does not follow a systematic evaluation of a job's relative worth, organisations risk making inaccurate comparisons, equating roles that appear similar (e.g. in job title) but differ significantly in actual requirements and responsibilities.**

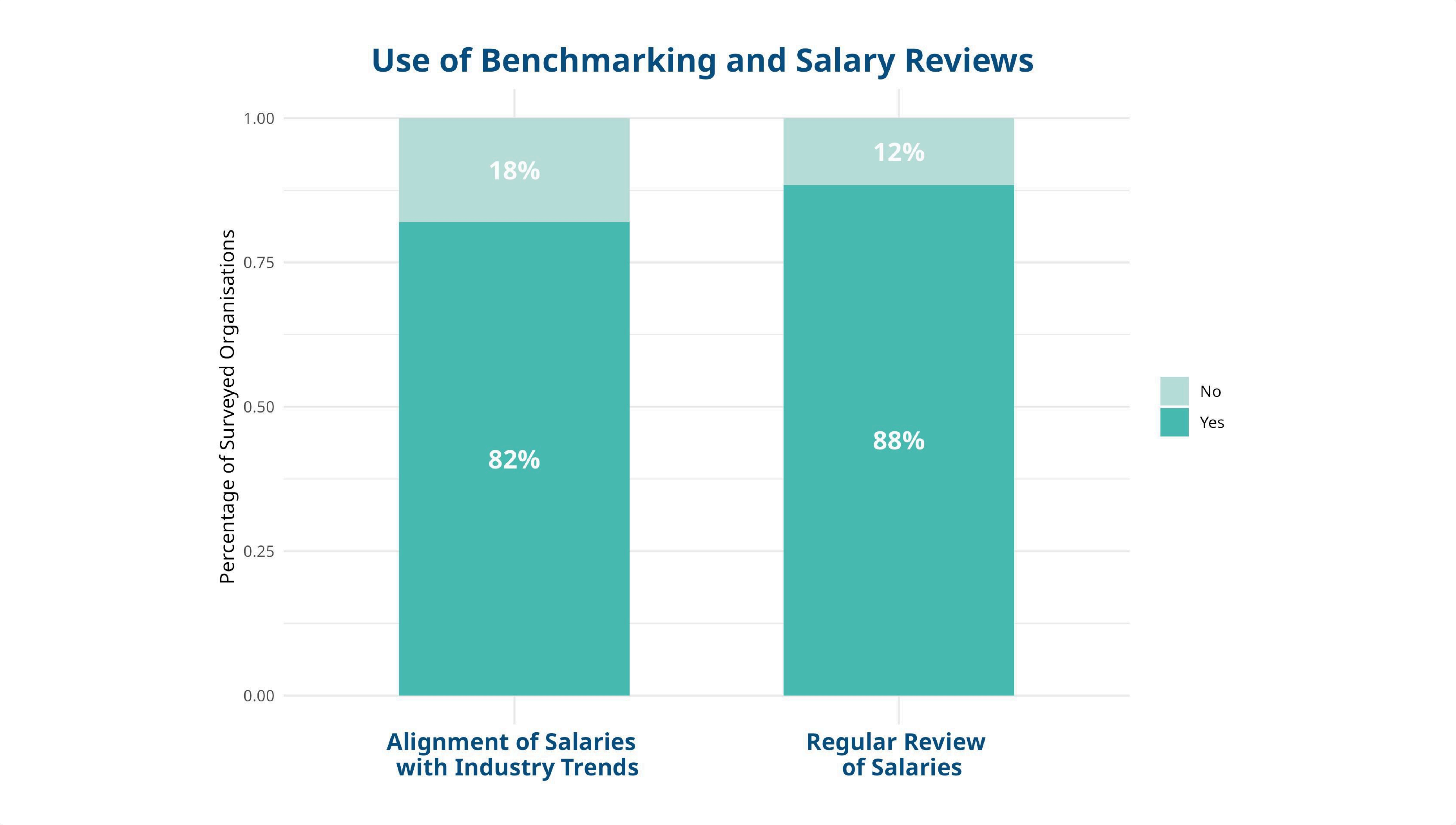

Figure 7: Alignment of Salaries with Market Trends and Review Frequency Among Organisations

THE PAY TRANSPARENCY AWAKENING: ARE YOU READY FOR THE SHIFT/TRUTH?

AWARENESS OF THE EU PAY TRANSPARENCY DIRECTIVE

The results reveal a strong awareness among organisations regarding the implementation of the EU Pay Transparency Directive, with a **significant 85% of respondents indicating that their organisation is aware of the directive.** In other words, 184 of 216 participants reported that their organisation is aware of the upcoming EU legislation around pay transparency.

This is a surprisingly high figure, especially compared to a live poll gradar ran as part of a webinar conducted in July 2024, where results revealed that less than one-third of the 82 surveyed webinar participants indicated they had heard of or were aware of the pay transparency Directive.

However, more than seven months have passed between the live poll on organisational awareness and the present study. In this study, only 32 out of 216 participants indicated their organisation is not yet aware of the EU Directive on Pay Transparency. This time gap accounts for the growing awareness around the topic of pay transparency, driven by exposure through professional platforms like LinkedIn, (HR) literature, news coverage, and events prioritising this topic for compensation professionals.

The high level of awareness is also likely reasoned through the survey sample itself, as participants were recruited in networks and from platforms that tend to attract individuals and organisations with a strong interest in the topic of pay transparency. Given their professional backgrounds and engagement in the study, it is reasonable to assume these participants' organisations are more actively involved in tracking relevant developments and regulatory changes. Additionally, the average size of the organisations surveyed suggests a greater urgency to prepare for the upcoming legislation, as larger organisations are likely to be affected earlier than smaller ones.

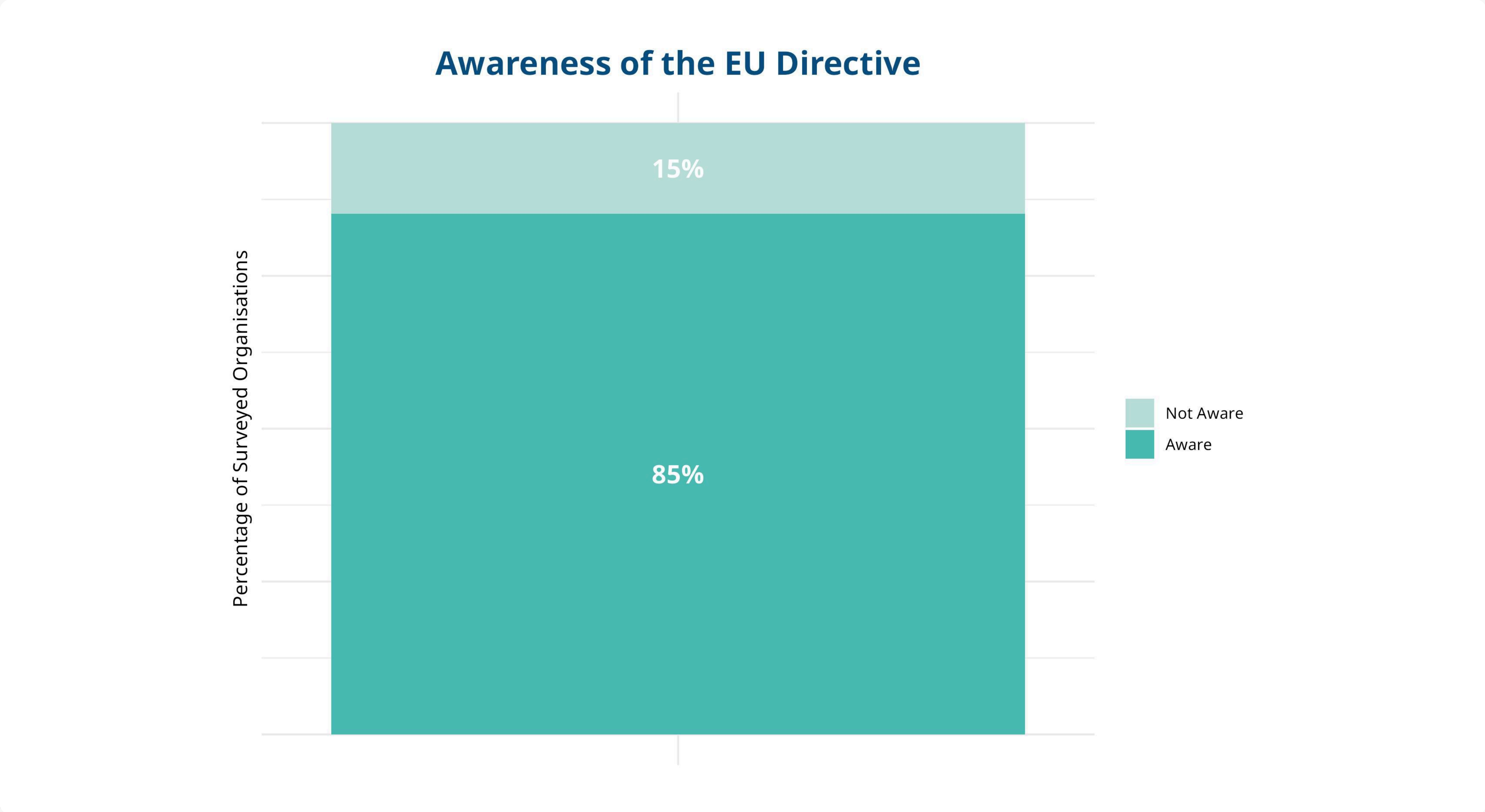

Figure 8: Awareness Levels of The EU Directive Among Surveyed Organisations

AWARENESS IN ACTION: HOW ORGANISATIONS ARE ADAPTING TO THE PAY TRANSPARENCY DIRECTIVE AND WHAT ACTIONS HAVE BEEN TAKEN

Further, as organisations navigate the evolving landscape of the EU Pay Transparency Directive, their actions reflect some progression from awareness to early stages of implementation. A notable **70% of respondents have already familiarised themselves with the directive,** indicating strong initial engagement.

Nevertheless, while most surveyed companies have discussed the directive's implications and identified the need to act for their organisation, fewer have taken concrete steps toward implementation. For instance, only **37% have developed an action plan, and even fewer have already assessed their pay structures in preparation for the directive, with only 30% indicating having reached this step. Further, only 10% of organisations have initiated training efforts for leadership positions** - a figure that aligns with the other findings indicating that many organisations remain in the planning phase.

The low figures for action-oriented items highlight that many organisations are still in the planning phase, with only a small proportion having begun or already implemented the necessary changes. The results show a critical need for organisations to move beyond the planning stages and into the preparation phase by developing action plans and assessing their pay structures at the very least to identify any potential pay gaps that need remediating. Moreover, developing action plans and adapting pay structures will be essential for addressing pay disparities proactively and ensuring compliance when reporting obligations become a reality.

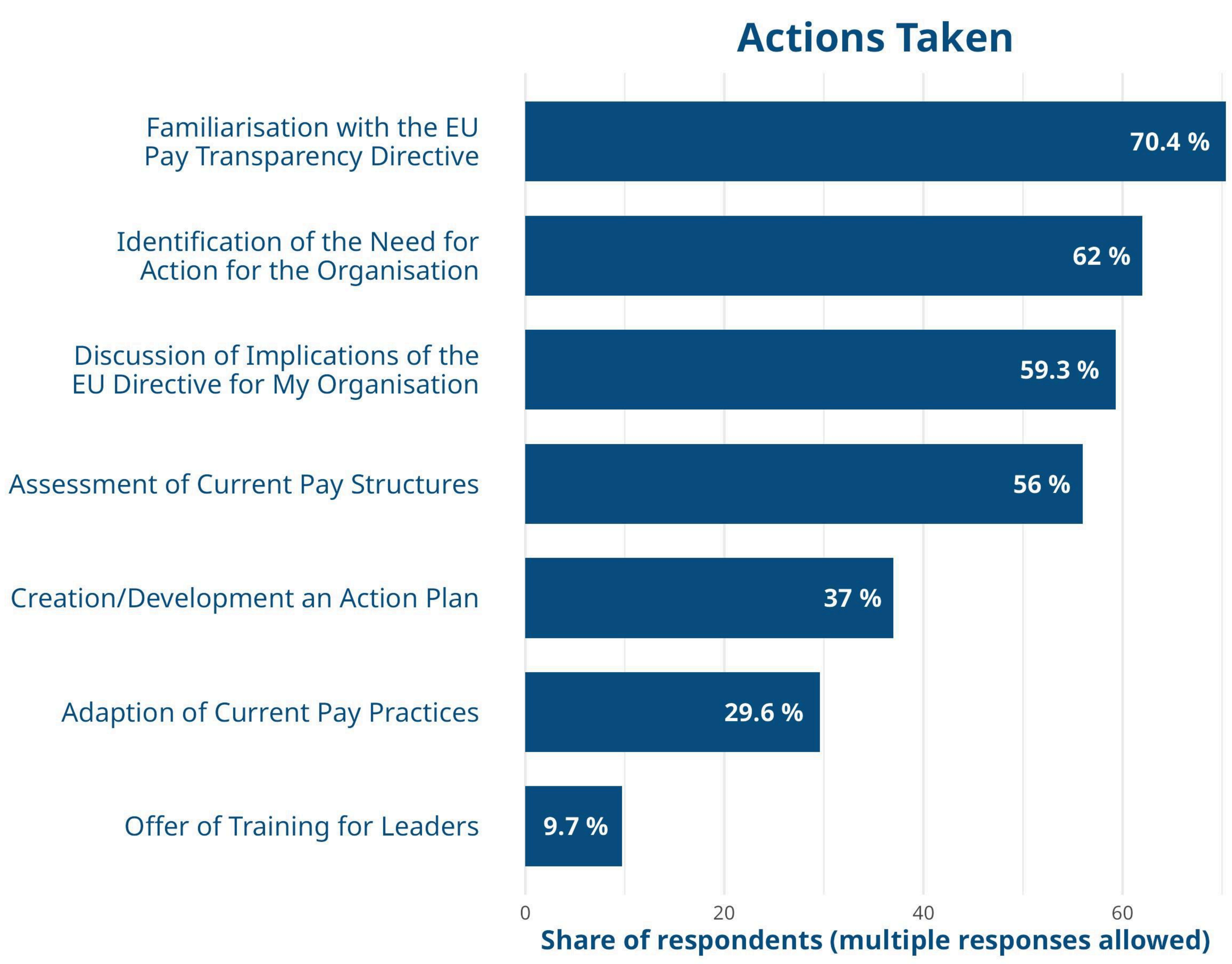

Figure 9: Actions Taken in Preparation for The EU Pay Transparency Directive Among Surveyed Organisations

MIRROR MIRROR ON THE WALL: HOW TRANSPARENT ARE WE OVERALL?

The average level of transparency in the surveyed organisations was *M* = 3.8 on a scale from 1 to 6, where 1 indicates no transparency and 6 represents full pay transparency. This means that, on average, organisations were more transparent than not but still only just above the mid-point of the pay transparency scale. This indicates significant potential for organisations to improve their compensation transparency further.

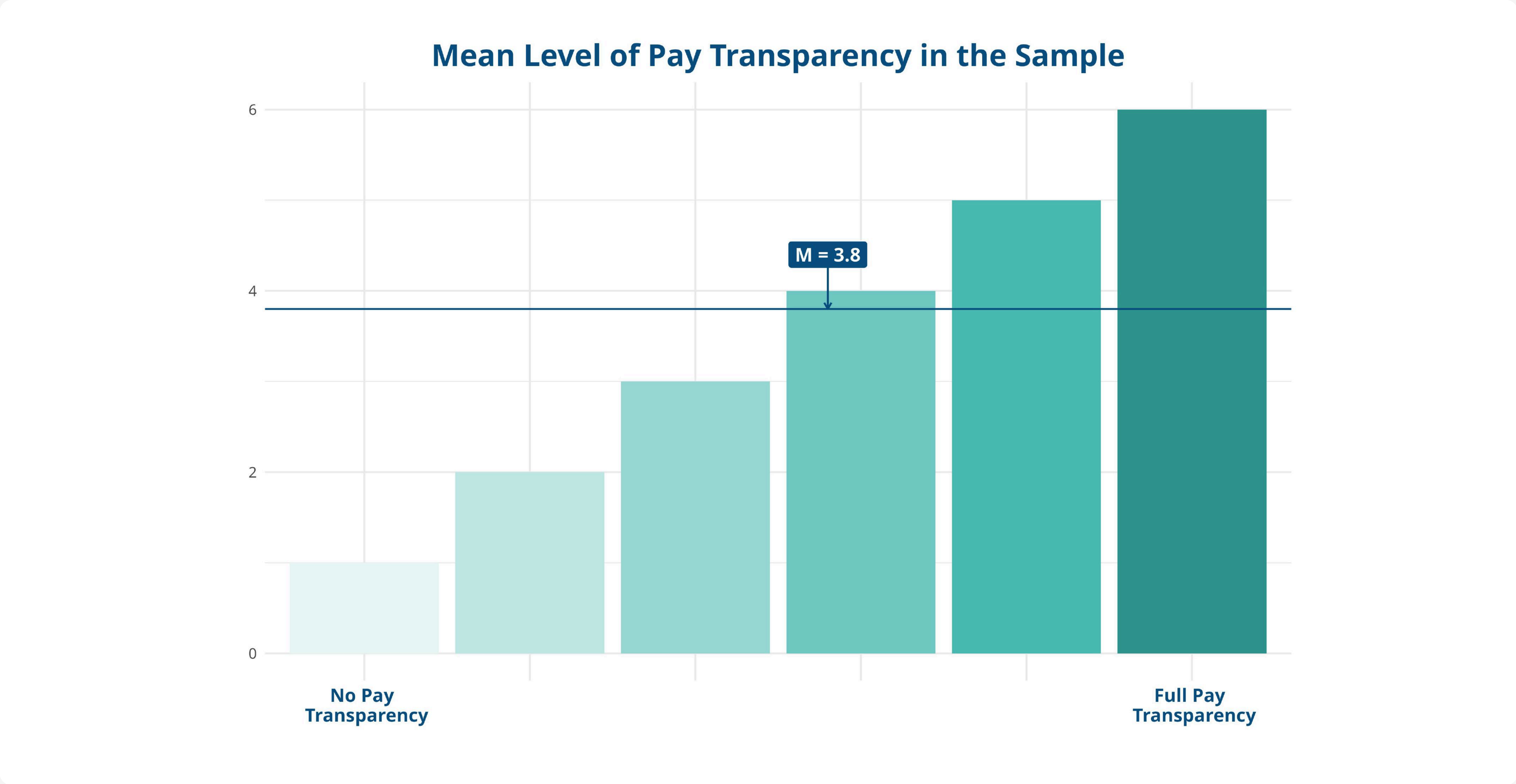

Figure 10: Surveyed Organisations' Mean Level of Pay Transparency

4.2 From Trends to Measures: What are the Influential Factors on Pay Transparency

Through the following analyses, we examined the connection between the use of different compensation practices (such as the use of job architectures and job evaluation) and the level of transparency within organisations. To do this, we compared the pay transparency levels between groups of organisations that implement these practices and those that do not. The following tables summarises the effects that are explained in more detail in the following chapters.

Summary of Group Effects on Pay Transparency

Variable	ΔM	Cohen's d	Effect	Signif.
Use of Job Evaluation	0.42	0.55	medium	**
Use of Job Architecture	0.67	0.89	large	***
Use of Compensation Structures	0.54	0.75	medium	**
Compensation Based on Job Architecture	0.62	0.83	large	***
Awareness of EU Directive	0.32	0.37	small	n.s.
Assessment of Current Pay Structures	0.08	0.09	negligible	n.s.
Annual Pay Assessment	0.46	0.56	medium	*
Use of Market Benchmarking	0.34	0.42	small	*

Table 1: Comparison of Organisations Using vs. Not Using Pay Practices and Impact on Transparency

RESULT SECTION 1: BEYOND THE PAY GAP: THE FUTURE FALLS WITH JOB EVALUATION AND JOB ARCHITECTURES

1. FROM ROLES TO REWARDS: HOW JOB EVALUATION DRIVES PAY EQUITY BUT NOT NECESSARILY PAY TRANSPARENCY

Initially, we assessed whether there was a difference in the level of pay transparency between organisations that have job evaluation systems in place and those that do not. Although we found a moderate effect indicating higher pay transparency in organisations that use job evaluation systems compared to those that do not, the overall strength of this relationship was limited.

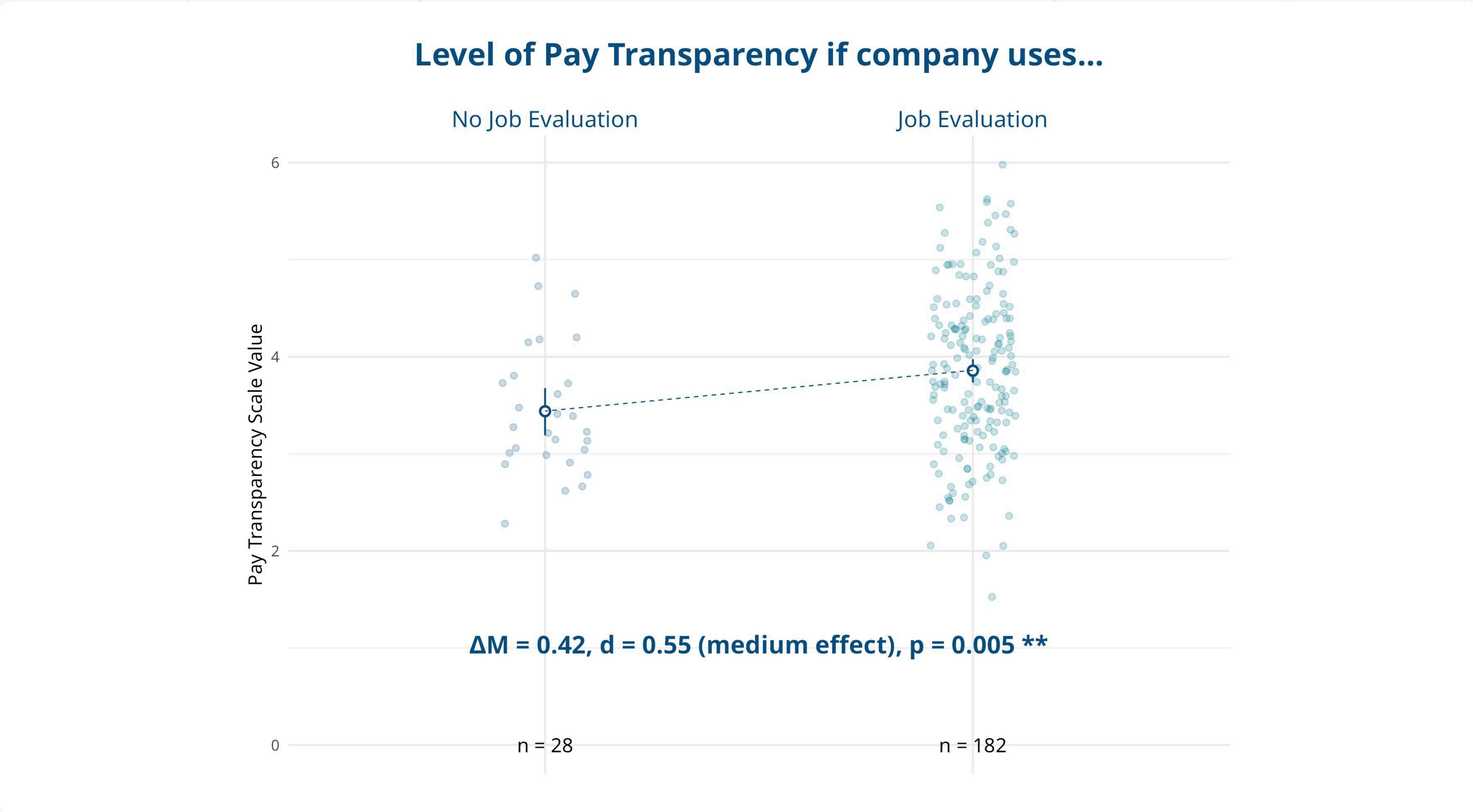

Figure 11: Impact of Job Evaluation Practices on Pay Transparency: Comparison Between Adopters and Non-Adopters

While this may be a surprising finding to those who believe(d) simply using job evaluation would be the unsung hero of pay transparency, but the reality is different: Evaluating the relative worth of jobs within a hidden system - a black box to inaccessible anyone not directly involved – and failing to communicate the results of the job evaluation process to leadership and employees will likely result in employees remaining just as uniformed as before.

Pay transparency goes beyond disclosing salary ranges; it also involves communicating the criteria used to determine pay. This includes making the job evaluation framework - its principles, methods, and resulting grades - accessible and understandable to the broader workforce. Because job evaluation is often done behind the scenes and with complex black-box-like systems - sometimes exclusively by external providers using incomprehensible or obscure methodologies - employees frequently struggle to grasp how decisions are made. As a result, the mere exercise of evaluation jobs itself does not automatically foster higher levels of pay transparency. To achieve real transparency, the criteria and outcomes must be structured and clearly communicated, for example, through job architectures that make the outcome of job evaluation more visible for employees and foster trust.

2. JOB ARCHITECTURES: THE SCIENCE BEHIND PAY GRADES, NOT PAY GUESSES

In line with expectations and unlike job evaluation alone, the use of job architectures is strongly and statistically significantly related to higher levels of pay transparency within organisations. **In companies that have implemented job architectures, there is a notably stronger tendency towards transparency in pay practices compared to those that do not have job architectures in place.**

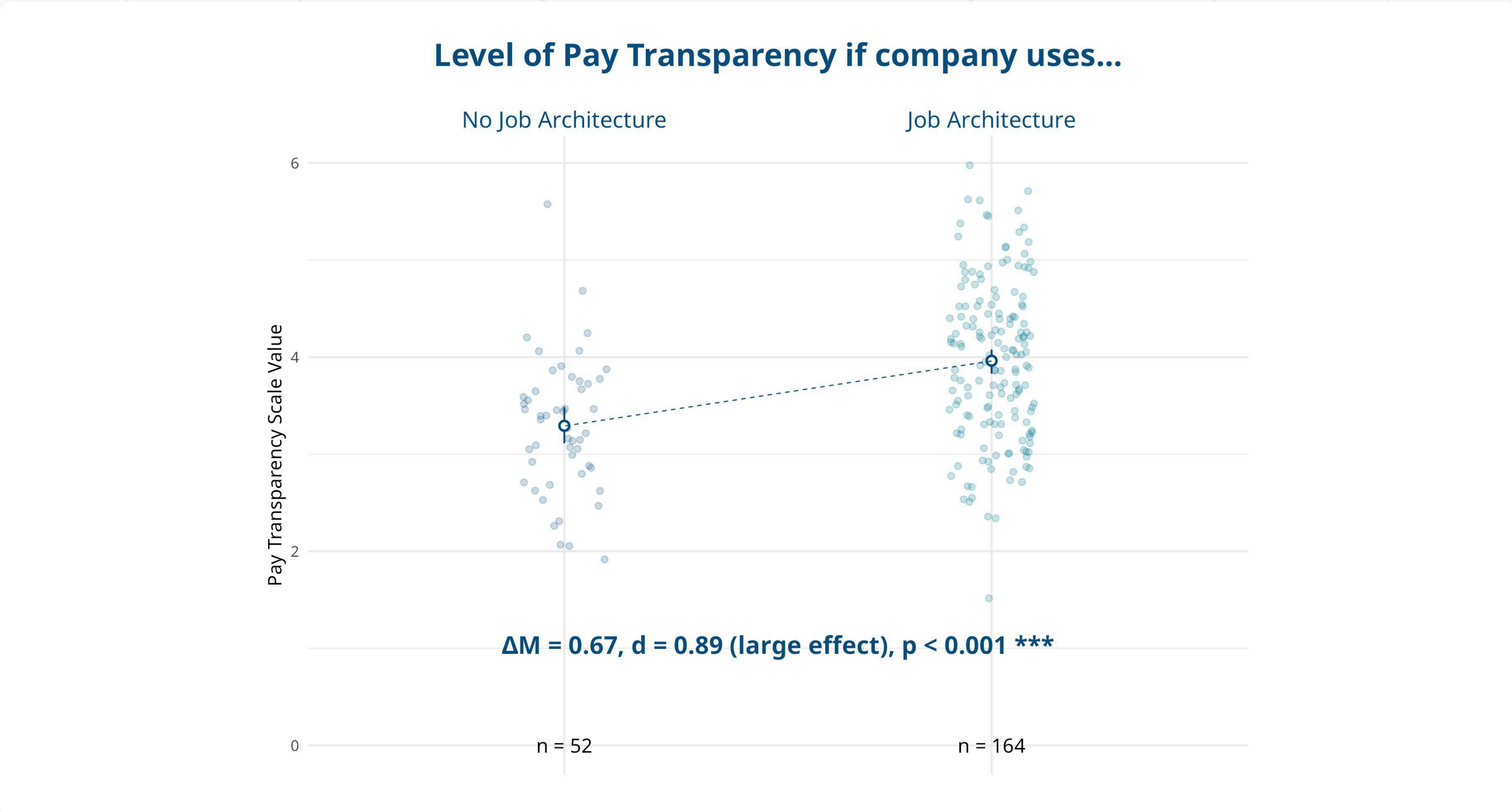

Figure 12: Impact of Job Architecture Practices on Pay Transparency: Comparison Between Organisations with and without Job Architecture

But wait, what were job architectures again? Job architectures are structured frameworks that define how jobs are organised, categorised, and compared within an organisation. They provide a consistent method for grouping roles based on factors such as job level, function, scope, impact, and complexity. These frameworks may also encompass additional structural elements such as career paths, job titling conventions, and variables like job categories and job families. Job architectures often serve as the foundation for compensation structures and the infrastructure supporting key human capital management practices - such as career progression, strategic workforce planning, and succession management (gradar.com, 2025).

3. SO, WHO'S DRIVING TRANSPARENT PAY PRACTICES - THE MAP OR THE METRICS?

It is not a one-or-the-other case: Job Evaluation and Job Architectures are the power couple when it comes to pay transparency and pay equity. Support for this can be found in the study, indicating that the usage of job evaluation and job architectures is correlated. So, **organisations that have implemented job architectures are also more likely to use formal job evaluation methods.**

This is largely because job architectures – given that they are shared with employees - make the outcomes of job evaluation visible in the form of a clear, understandable framework. They are the mechanism that brings job evaluation to life, making its results more transparent and accessible to the workforce.

RESULT SECTION 2: JOB ARCHITECTURES = EVERYBODY'S DARLING: BUT WHAT ABOUT THE COMPENSATION STRUCTURES EVERYONE TALKS ABOUT?

1. BONUS OR BACKBONE? WHERE COMP STRUCTURES REALLY SIT IN PAY TRANSPARENCY

We tested whether organisations with compensation structures, such as pay grades and pay levels, exhibit a higher level of pay transparency than those without such structures. **Interestingly, we found only a moderate effect for the difference in the level of pay transparency between organisations that have compensation structures in place** (e.g., in the form of pay bands, pay groups, tariff-like groups, or market-oriented salaries) **and those that do not use any of these structures.**

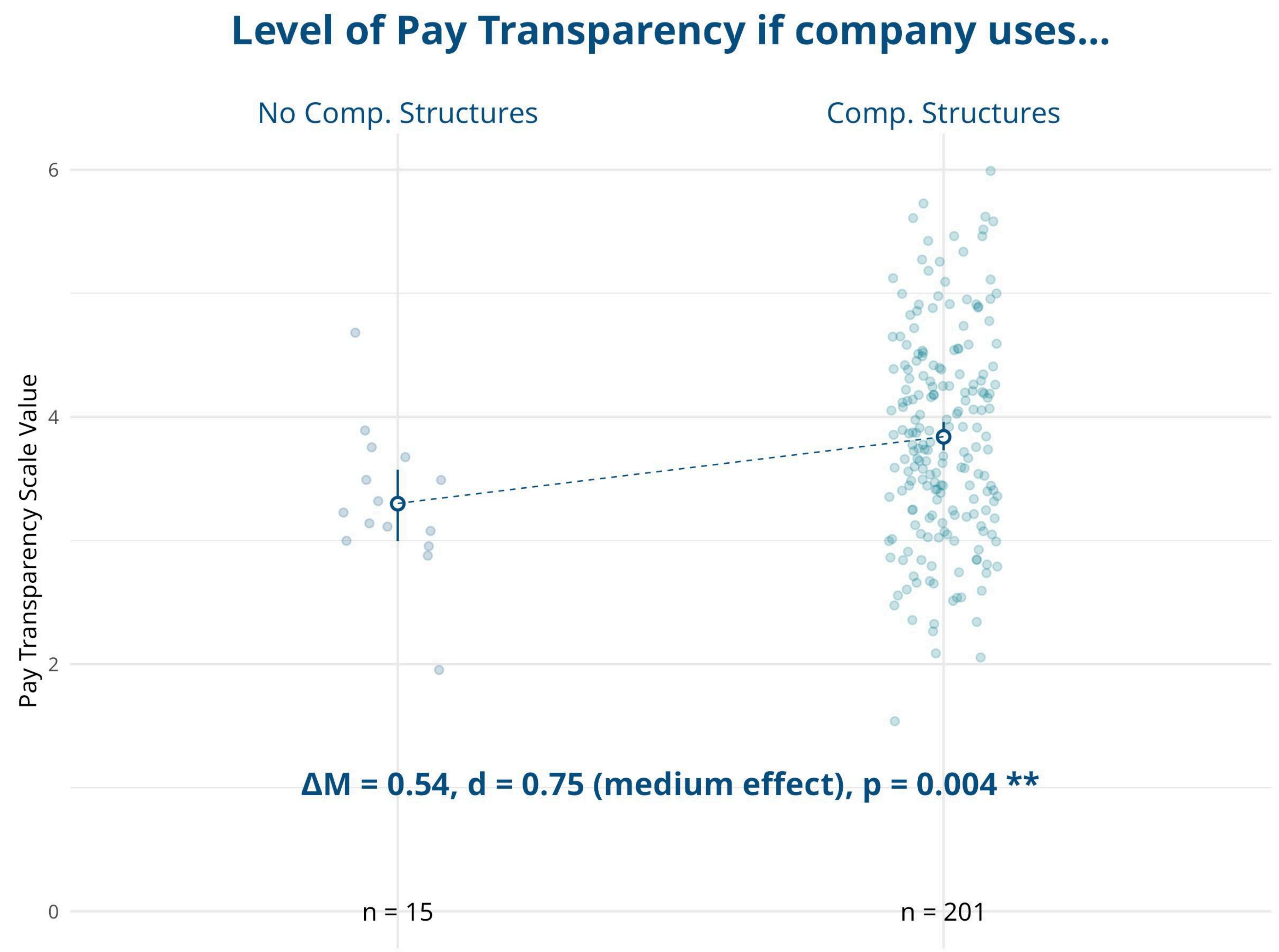

Figure 13: Impact of Compensation Structures on Pay Transparency: Comparison Between Organisations with and without Formal Compensation Structures

And this is where you should pay close attention: particularly revealing was the finding that **organisations that base their compensation structures on job architectures exhibit a significantly higher level of pay transparency than those that do not.** Not only was the effect size for this relationship notably higher, but the difference in transparency was also statistically much stronger than in the broader comparison involving compensation structures alone—where it wasn't clear whether those structures were tied to job architectures at all.

This finding highlights the importance of closely integrated systems, grounded in a clear and coherent structure, as a key factor for organisations striving to achieve greater pay transparency. These findings further support the assumption that the establishment of job architectures in organisations is one of the most important driving forces for pay transparency. This can likely be explained by the fact that organisations that underpin their compensation structures with a well-established job architecture tend to feel more confident in offering fair salaries, thus promoting transparency.

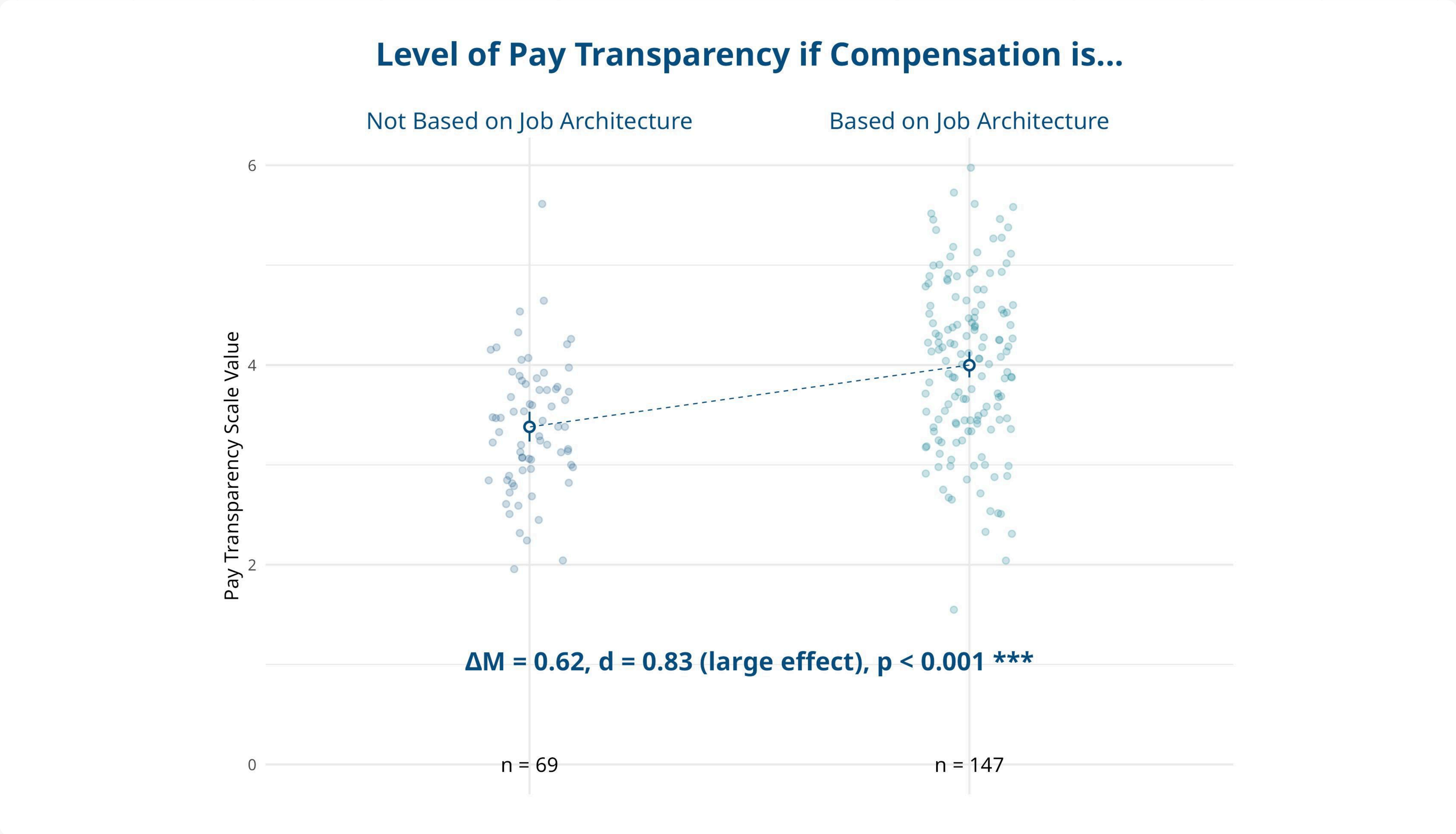

Figure 14: Job Architecture based on Compensation Structures: How Company Differences Influence Pay Transparency

2. DOES THIS MEAN A JOB ARCHITECTURE IS THE REAL HERO OF PAY TRANSPARENCY?

In short, yes, among other factors. To be more precise, think of job architectures as the essential tool for making sense of hundreds of data points, such as job titles and role responsibilities, hierarchy levels and more. In doing so, it is crucial to ensure these are aligned with pay structures, career paths, and organisational goals. Job architectures are the glue that holds together and combines results from job evaluations, job characteristics, pay-setting criteria, and affiliated compensation structures. By combining all relevant data collected from the organisation, job architectures serve as the necessary foundation for pay transparency. Without a visible structure in place, there is nothing that can be made transparent to the workforce.

However, while we have made a case around the importance of job architectures in the process of making pay transparent, we should remind ourselves of the true intention behind pay transparency: driving pay equity.

Take a moment to ask yourself this question: Would you make your organisation's job architecture and affiliated pay structures transparent before ensuring they reflect pay equality or, at the very least, provide an objective explanation for differences in pay?

The answer is likely no. This is exactly why organisations need to use job evaluations to create a foundation that guides the analysis and implementation of pay equity. This is where analytical job evaluation is rooted within job architectures and compensation structures. It forms the basis for developing a requirements-based job level hierarchy that directly links to pay structures by establishing groups for work of equal value or equal work, ensuring that work of equal value is compensated equally.

RESULT SECTION 3: MOVING BEYOND INTENT: ACHIEVING IMPACT THROUGH COMPENSATION ACTION

1. WAKING UP: AWARENESS IS THE FIRST STEP

The good news is that **organisations whose participants reported awareness of directives, such as the EU Pay Transparency Directive (2023), already demonstrate slightly higher levels of pay transparency.** However, in statistical terms, the survey results show no statistically significant difference in pay transparency levels between organisations that are aware of the directive and those that are not (yet) aware of it.

This finding is not suprising given that many organisations have not yet moved beyond the planning phase. The gap between awareness and action suggests that simply recognising the importance of pay transparency is not enough to achieve it - organisations will require infrastructure to move beyond surface-level initiatives or policy statements.

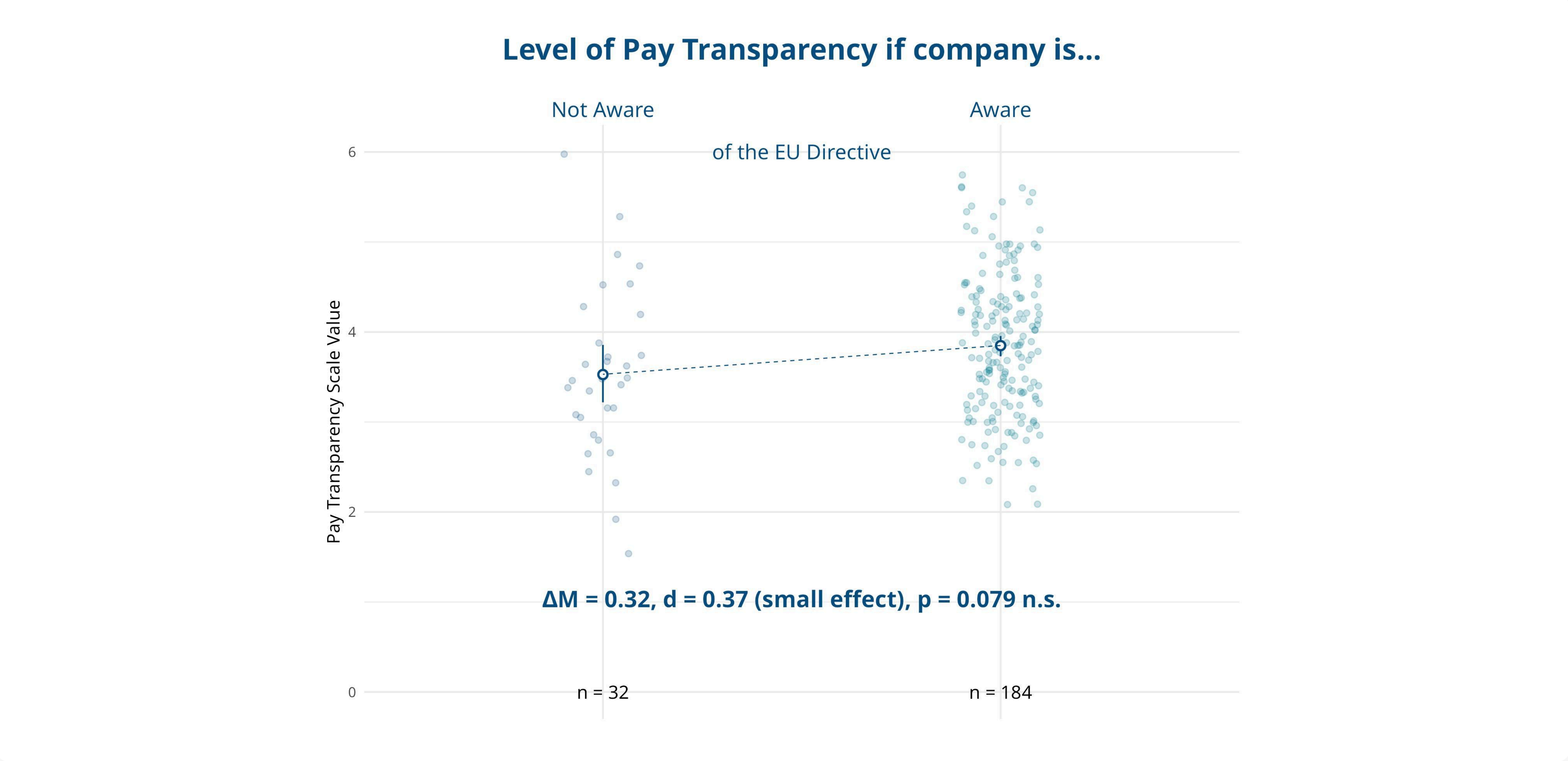

Figure 15: Impact of Awareness of The EU Directive on Pay Transparency: Comparison Between Aware and Unaware Organisations

2. BUT AWARENESS AND BACKSTAGE PREPARATIONS DON'T DO THE JOB ALONE

Our study also indicated that the planning and preparation of pay structures alone does not go the full length. The majority of respondents reported that their organisation had taken either one or multiple of the following actions to prepare for the EU Directive: Familiarisation with the EU directive (70%), Identification of the need for action for the organisation (62%), Discussion of its implications for the organisation (59%), Pay Structure Assessment (56%).

Interestingly, while a majority of the participants reported that their organisation had already assessed their pay structures in preparation for the EU directive, we did not find the slightest evidence that there was a connection to a higher level of pay transparency within these organisations. **In statistical terms, results of the study showed no significant difference in the level of pay transparency between organisations that have actively started to prepare by assessing their pay structures and those that had not.**

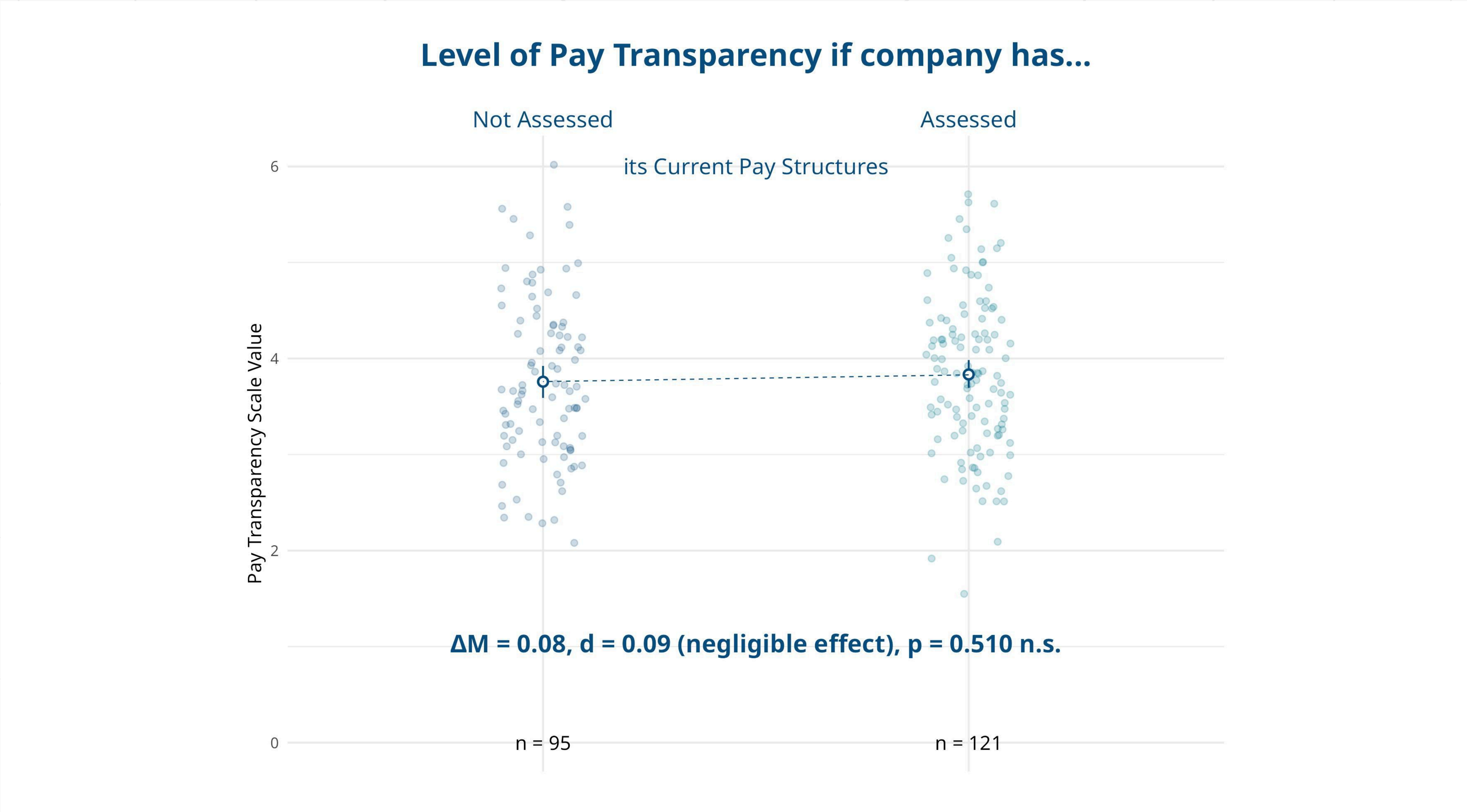

Figure 16: Impact of Pay Structure Assessment on Pay Transparency: Comparison Between Assessing and Non-Assessing Organisations

Considering that only 30% of the respondents indicated that their organisations adapted their pay structures, the missing connection between assessing pay structures and pay transparency becomes a significant point of focus. The finding that assessing alone does not lead to improved pay transparency underscores broader challenges in achieving transparency: the need for pay transparency to be addressed from multiple perspectives.

Conducting assessments of pay structures is a commendable first step in moving toward greater pay transparency. However, conducting assessments and adapting pay structures as a relevant second step will help organisations avoid the risk of potential reputational damage and, in case of unexplained or a lack of objective criteria to explain differences in pay in worst-case scenarios, legal consequences when reporting deadlines become a reality.

Equally important is the communication of criteria and mechanisms as well as the results of the assessment. Pay transparency is not only about assessing salaries and ensuring they are fair; it is about making the information regarding this process available to foster employees' trust - a process that requires careful preparation and a sensitive approach.

3. LET'S TAKE A LOOK AT ORGANISATIONS THAT GO THE EXTRA MILE TO ASSESS THEIR COMPENSATION STRUCTURES – BUT DO THEY?

We found a moderate effect for the relationship between organisations' regular assessment of salaries and level of pay transparency. **Organisations that review their salaries at least once a year demonstrate a higher level of pay transparency than those that do not.**

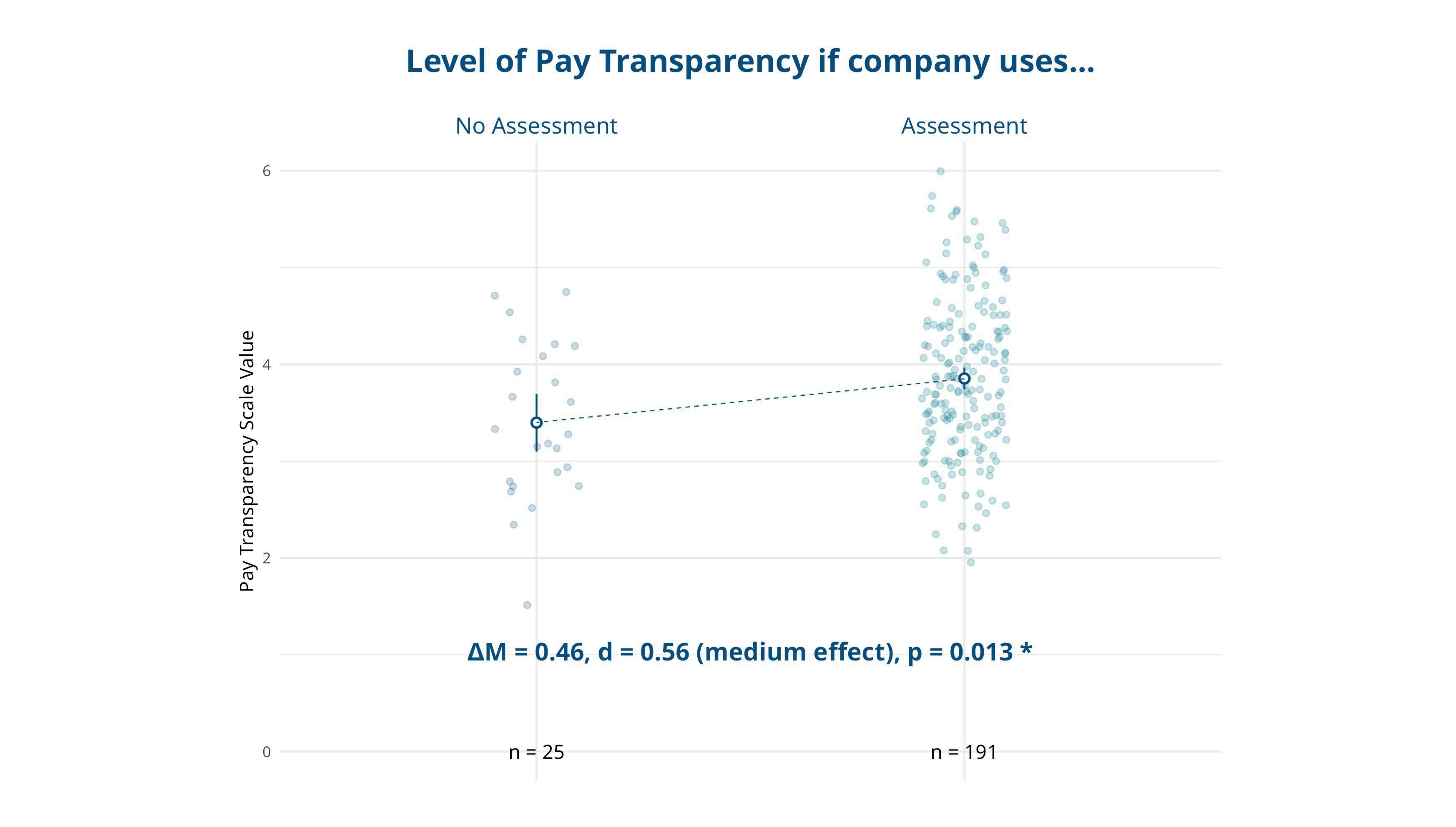

Figure 17: Impact of Yearly Assessment of Compensation Structures on Pay Transparency on Pay Transparency: Comparison Between Practitioners and Non-Practitioners

Similar results were found regarding organisations' practices to ensure employees' salaries remain competitive and aligned with industry standards. Even if the effect size is small, **organisations that benchmark their salaries show a statistically significant higher level of their overall level of pay transparency.**

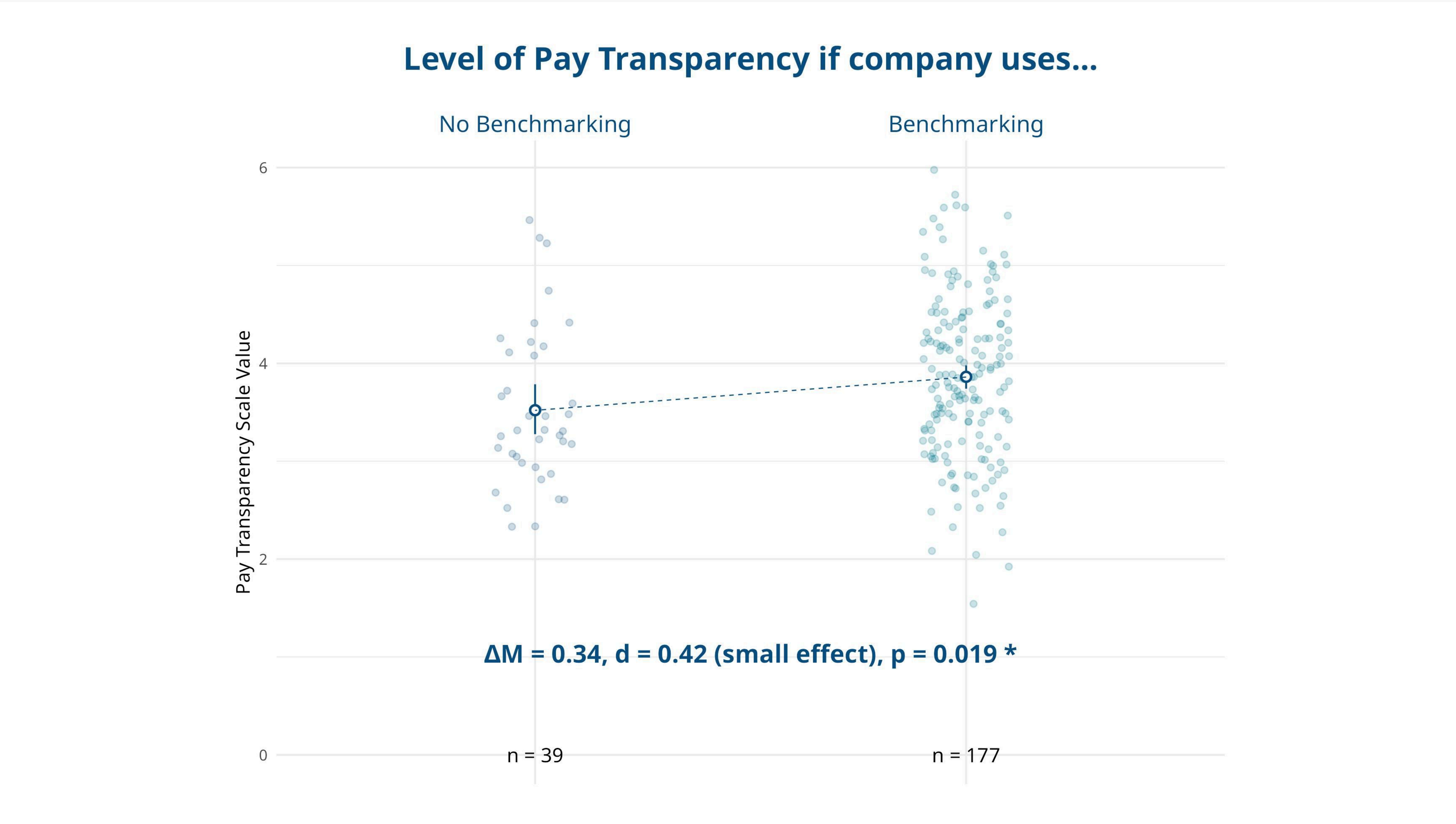

Figure 18: Impact of Benchmarking on Pay Transparency on Pay Transparency: Comparison Between Practitioners and Non-Practitioners

Both findings suggest that organisations that regularly assess salaries and ensure they are aligned with market trends display higher levels of pay transparency, indicating that they may have more confidence in the accuracy of their pay structures and the fairness derived from these comparisons and assessments.

However, despite the advantages of both compensation practices, it is important to contextualise these findings. Reviewing and benchmarking salaries both relate to pay transparency, but it is crucial to consider how these practices are implemented. Reviewing salaries could be interpreted in different ways, such as reviewing a salary but not adapting it or increasing someone's salary due to economic factors like inflation rates without considering the relative worth of the position. This could potentially continue or even widen existing pay gaps. Similarly, relying on market rates without critically evaluating their sources and potential biases may inadvertently reinforce gender biases historically embedded in market data, which moves a company further away from the goal of pay equity.

While reviews may be frequent, essential aspects of the pay review process - such as pay-setting criteria, employee involvement, outcome visibility, and alignment with equality, diversity, and inclusion (DEI) goals - often remain unclear. Reviews can occur regularly yet still be vague, with undisclosed criteria, minimal employee visibility, limited communication, and little connection to pay equity or broader DEI objectives. Transparency is not defined by the frequency of reviews but by the clarity, consistency, and communication of their outcomes.

Both perspectives highlight the persistent gap between pay transparency and pay equity. While the goal of increasing pay transparency is to combat inequality for work of equal value, we believe that the assessment of pay equity within the organisation should go hand in hand with efforts to increase pay transparency, if not precede them. The organisations' internal salary distributions and the existence of disparities in pay - or the lack thereof – will help to contextualise market data and support the critical questioning and elimination of long-standing structural pay disparities, particularly those related to gender that are often present in market data.

5. Frameworks Don't Pay People - Moving from Intent to Impact

10 Strategic Steps to Implement Pay Transparency

So, what do these results tell us? Most likely, you will need to create a job architecture using analytical job evaluation, or asses and use your existing job architecture. Begin with a Baseline Analysis to assess compliance with the Directive and identify areas for adjustment. If your job architecture lacks consistency or accuracy, leads to pay disparities between similar roles, or misaligns career progression, it may need revisiting. Widespread issues affecting multiple groups or insufficient detail on responsibility, experience, and education also signal a need for refinement. If your analysis is thorough, focus on targeted adjustments rather than a total restructuring.

This structure will serve as the guiding framework for pay (equity) decisions and the development of fair and transparent compensation structures. This approach is essential for preparing for and adapting to upcoming changes in pay transparency legislation. Ideally, you should select a system that enables seamless integration of all relevant data into a single, easy-to-use, and user-friendly platform. And this is where gradar comes into play. Leverage software to make your analysis repeatable and sustainable by creating a consistent and scalable approach to your analysis. Meeting the requirements of the EU Pay Transparency Directive demands more than a single effort - it calls for a reliable framework you can apply, revisit, and defend over time.

Before embarking on your journey towards greater pay transparency, the most important initial steps are to define the objectives and scope of the changes you intend to implement. This includes clarifying why the organisation wants to implement pay transparency. For example, is the goal to comply with regulations, support broader diversity, equity, and inclusion (DEI) initiatives, or establish fair compensation structures that foster pay equality and build employee trust? Furthermore, you should decide on a level of transparency, e.g. posting ranges by full salary disclosure, communicating salary ranges internally only, or also externally. Pay transparency is not an either/or choice; rather, it's a continuum encompassing various dimensions, such as procedural, distributive, and communicative transparency.

Regarding the execution, it is advisable to build a cross-functional team, including HJ; Legal and Business leaders that should be assigned clear roles in the process. It's also beneficial to engage works councils and unions early in the process to ensure executive support and secure allies for advancing pay transparency. Once you have an action plan in place, it's time to act! To support you during this process, we are proposing a 10-step plan helping to prepare for the upcoming legislations.

IN 10 STEPS TOWARD MORE PAY TRANSPARENCY

A Strategic Guide to Building Equitable and Transparent Compensation Practices

☐ **Step 1** **Data collection & clustering of data**	**Goal: Build a foundation of job-related data.** **Collect relevant job-related data:** Job titles, descriptions, responsibilities, and required qualifications. This may also include an inventory of existing job clusters (groups of similar roles), career levels, job families, and job codes. **Define and describe the roles in your organisation:** A role is a structured part of a job, defined by a set of core duties, often cross-functional tasks. Job descriptions outline the general tasks, core duties, and responsibilities of a job.
☐ **Step 2** **Analyse and evaluate the jobs in your organisation**	**Goal: Objectively assess job value and structure.** **Analyse and evaluate jobs within your organisation:** A key component of job architecture is the job levelling system, which supports career paths, benchmarks, and compensation structures. Job evaluation - the process of determining a job's relative value - helps categorise roles and ensures alignment with other elements of the job architecture, such as titling conventions. To achieve this, it's essential **to implement a robust Job Evaluation System, such as gradar. Job evaluation should be analytical, thorough, and objective**, as this approach enhances the quality and consistency of evaluation and grading procedures across the organisation. Evaluate the jobs (not the individuals) based on factors such as complexity, impact, and scope. Once you've selected a grading framework and completed evaluations, ensure consistency across departments/functions by conducting regular calibration and validation exercises.
☐ **Step 3** **Building your job architecture: Harmonise Job Titles & Ranks together with Job Categories**	**Goal: Establish a clear and uniform job framework.** **Harmonise Job Titles, Ranks, and Job Categories:** Designing a titling convention is crucial in establishing a common language to describe career paths and levels. It provides clear indicators of a job's category, role, and responsibilities.

The titling structure should be consistent across levels and career paths, making roles and responsibilities easier to understand for both employees and external stakeholders. This promotes fairness in compensation, career development, and internal mobility while simplifying recruitment and benchmarking.

☐ **Step 4**

Connect data points of your newly established job architecture with your compensation data

Goal: Enable salary analysis and benchmarking.

Collect relevant compensation data: base pay, target pay, bonuses, benefits, and incentives.

Connect the compensation data to the job architecture to enable analysis of internal salary distribution and ensure equal pay for equal value across job categories. Ensure the data is well-organised and up-to-date.

Where possible, integrate with your HRIS or analytics systems for streamlined analysis. As this will greatly enhance the efficiency and speed of the process.

☐ **Step 5**

Audit Current Compensation Practices and conduct internal analysis of compensation structures

Goal: Assess current pay practices and align with job architecture.

Inventory your current compensation structures: base pay, target pay, variable pay plans, and perks. Review past decisions for inconsistencies or biases.

Start by analysing the grade-based distribution of salaries to ensure that each employee's pay aligns with their actual job and responsibilities.

Use this analysis to uncover legacy inconsistencies or unintentional pay compression.

After analysing grade-based compensation, extend the analysis by examining pay patterns across job families, career levels, management tiers, job clusters and other aspects such as working models.

By evaluating these additional dimensions, you will gain a more nuanced understanding of pay structures. This broader perspective helps uncover systemic issues that may not be visible at the grade level alone to ensure fairness and transparency across the full breadth of the workforce.

Step 6

Conduct Pay Equity Analysis

Goal: Ensure fairness and eliminate unjustified pay gaps.

Once job evaluation is complete, calculate gender pay gaps by worker categories, as required by the Directive and to identify potential disparities. Therefore, it is best to use regression analysis to assess differences and document objective, gender-neutral justifications.

Use statistical models to identify any explained and unexplained pay gaps within the organisation. This includes evaluating salary differences based on gender, seniority, and other relevant factors.

If a gap of 5% or more exists, justify it using objective, gender-neutral criteria. If the gap remains unexplained after a pay equity analysis, a remediation plan must be developed and applied to the affected groups. For this step, address unjustified gaps in collaboration with employee representatives.

Conduct regular audits to maintain equity - pay equity software can streamline this process.

Investigate root causes, including promotion processes, hiring practices, negotiation behaviour, and unconscious bias. Consider all stages of the employee lifecycle.

Involve compliance or legal teams to ensure proper audit protocols, especially in sensitive areas like gender. Create guidelines about reporting standards and align reporting with legislation.

Based on your findings, develop and implement remediation plans. Ensure these plans are communicated clearly to all stakeholders and regularly reviewed for ongoing effectiveness.

Step 7

Develop or Revise Compensation Structures

Goal: Ensure that an organisation's compensation framework is fair, transparent, competitive, and aligned with business objectives

Design or refine compensation structures that align with both internal equity and market benchmarks.

Steps include:

- Creating pay grades or bands in alignment with job levels
- Establishing minimum, midpoint, and maximum pay ranges
- Ensuring internal equity and external competitiveness
- Develop pay scales aligned with job architecture and grades

- Define clear processes for sharing pay information during recruitment, promotions, and reviews
- Establish consistent, objective links between pay, performance, and tenure

Accounting for regional differences, remote roles, and hybrid work patterns where applicable.

Explore hybrid solutions that give flexibility while maintaining control over pay policies and budgets.

For market benchmarking, use data from compensation benchmark surveys and collective bargaining agreements, following a two-step process:

- Analyse each job holder's comparative ratio (i.e. actual pay ÷ market midpoint).
- Aggregate market benchmarks by job grades.

☐ **Step 8**

Communication & Change Management & Training

Goal: Prepare stakeholders and employees for changes & Enable Change Champions

Tailor messages for each audience - leaders, managers, and employees to ensure clarity and alignment. Each group requires a unique approach based on their role and perspective in the change process.

Educate them on the why, what, and how of pay transparency. Emphasise fairness, benefits, and what to expect from implementation. Communicate the reasons for the changes, the benefits for the organisation and employees, and how the new structures will be implemented. It's important to address potential concerns, emphasise fairness, and build trust.

Facilitate and encourage open discussions and provide opportunities for feedback to ensure that everyone feels heard and included in the process. This will foster acceptance and encourage a smooth transition.

Managers should be prepared to explain the rationale behind pay structures, answer questions, and address concerns in a supportive and informed manner. This training should also include guidance on handling difficult conversations, promoting fairness, and emphasising the organisation's commitment to pay equity and transparency. Empowered managers will be key to building trust and ensuring the successful adoption of new compensation practices.

Step 9

Roll-out

Goal: Launch your job architecture and compensation model.

Launch your job architecture and compensation model to ensure clarity, fairness, and smooth adoption across the organisation.

Initiate an internal rollout to test the model and gather feedback before making it publicly available. This allows you to address any concerns or discrepancies within the organisation first.

Consider a phased transparency rollout to give teams time to adapt. This enables employees to adapt to the new system over time, ensuring that they fully understand the changes before they are made public.

Accompany salary data with contextual information - explain how fairness, structure, and equity are built into the model. Support rollout with accessible resources such as a FAQ document or compensation explainer deck.

Step 10

Monitoring, Compliance & Sustainability

Goal: Ensure long-term effectiveness and compliance.

To monitor the impact, run regular pulse surveys to understand employees' perceptions of pay fairness and gather insights on how well the new system is being received. Tracking key metrics such as turnover, promotion rates, and compensation trends will help identify any potential issues, such as unintentional biases or dissatisfaction, and allow you to address them proactively.

Embed transparency into the organisational culture. Integrate it into crucial processes like performance management, hiring, and promotion to ensure consistency and fairness. Make it a core element of your employee value proposition (EVP), as this will reinforce the organisation's commitment to openness, fairness, and equity in compensation.

To stay compliant and future-ready, remain up to date with evolving regulations such as the EU Pay Transparency Directive and relevant U.S. state laws. Regularly update your job architecture and compensation practices, using internal data and external market trends to keep your approach competitive, fair, and aligned with industry standards.

And most importantly, leverage software to create a consistent and sustainably approach to regular pay equity analysis and reporting.

Your Toolbox

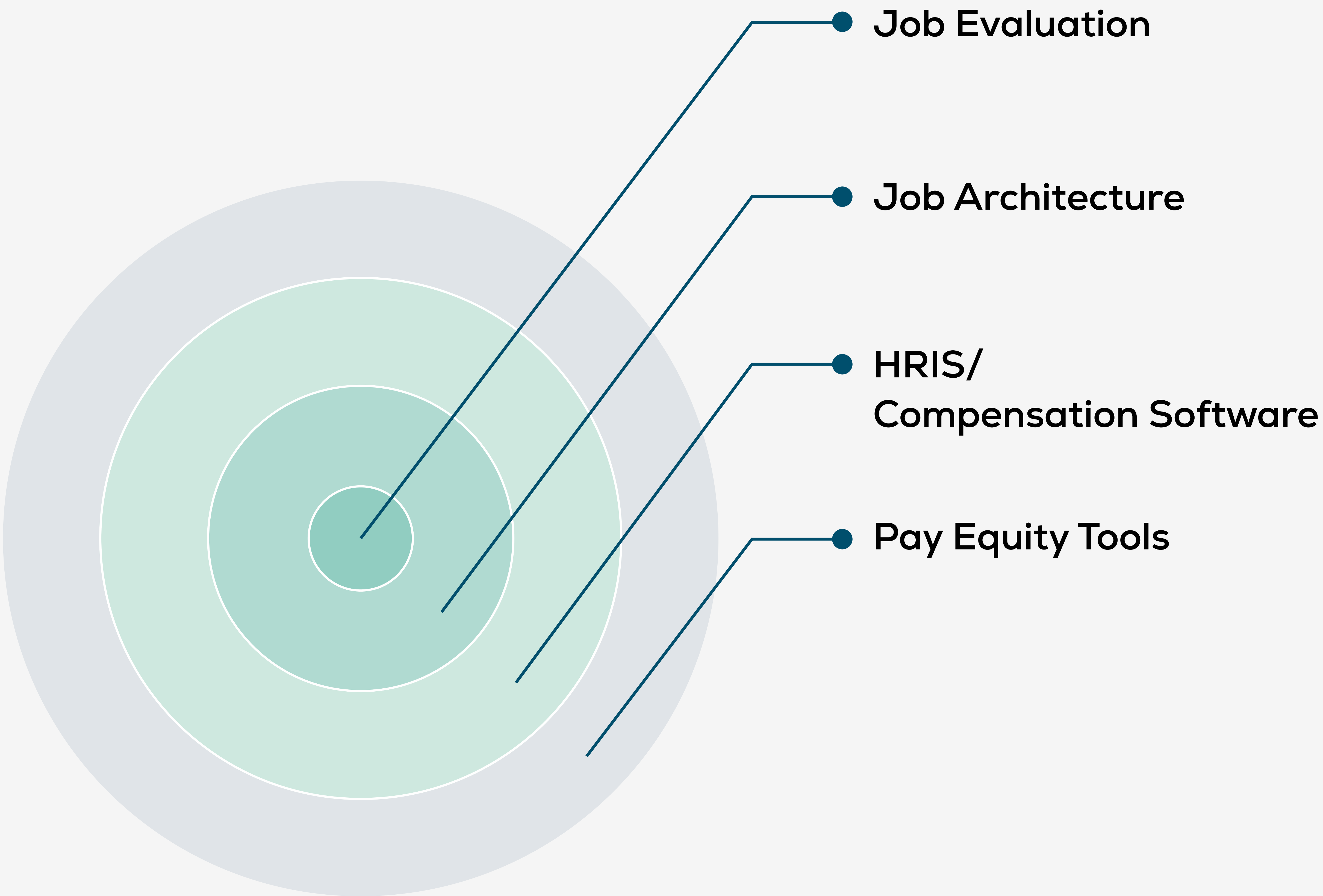

Figure 19: The Four Pillars of Pay Transparency Tools

Job evaluation, job architecture, HRIS systems, compensation software, and Pay Equity tools are fundamental to ensuring consistent, equitable, and data-driven management of employee roles and compensation, providing organisations with the tools to align pay structures, enhance internal mobility, and foster transparency across the workforce.

> "To change the culture of an organisation towards a more transparent setting and promoting equality can be incredibly difficult. As HR professionals, we must play a central role in making it happen."
>
> **Managing Director, UK company**

6. Call-to-Action

Spot Discrimination Before It Becomes an Issue

Yet, while the regulatory pressure is mounting, the real drivers of urgency are employee expectations and reputational risk. The time to act is now. Organisations that delay may find themselves playing catch-up in a landscape that demands proactivity. Equal pay isn't just about compliance - it's about building a fairer workplace and driving better business outcomes. Fair and equitable pay practices have been shown to boost employee satisfaction, reduce turnover, and protect organisations from costly legal risks.

True equity starts with structure. Without a clear job architecture, there can be no consistency, transparency, or fairness in pay decisions. Tools like pay bands and job evaluation are only effective when grounded in a solid framework.

gradar provides everything your organisation needs to establish a robust job architecture - bringing together all your internal and external job-related data in one place.

- ✔ Understand how roles relate to one another
- ✔ Evaluate jobs and benchmark them across the organisation and market rates
- ✔ Generate precise, AI-powered job descriptions
- ✔ Improve talent management with clear behavioural competencies

With gradar, you also gain powerful tools to ensure pay equity and prevent discrimination - before it becomes a legal or reputational issue:

- ✔ Analyse and close gender pay gaps
- ✔ Visualise salary distribution by job grade and gender
- ✔ Meet national reporting requirements with ease
- ✔ Build transparent career paths to promote equal opportunity

Compliance Is the Deadline. Equity Is the Goal. Start Now.

As we enter a new era of compensation, it's never been more critical for organisations to re-evaluate their pay practices through the lens of transparency, fairness, and compliance.

gradar is your trusted partner in laying the groundwork: we help you gather and connect all relevant data points, structure them within a clear job architecture, and conduct meaningful pay equity analyses. This is how unconscious bias is uncovered - and how true transparency begins.

If you're ready to move beyond check-the-box compliance and build a foundation for lasting equity, we're here to help you lead the way.

Let's talk—contact us today

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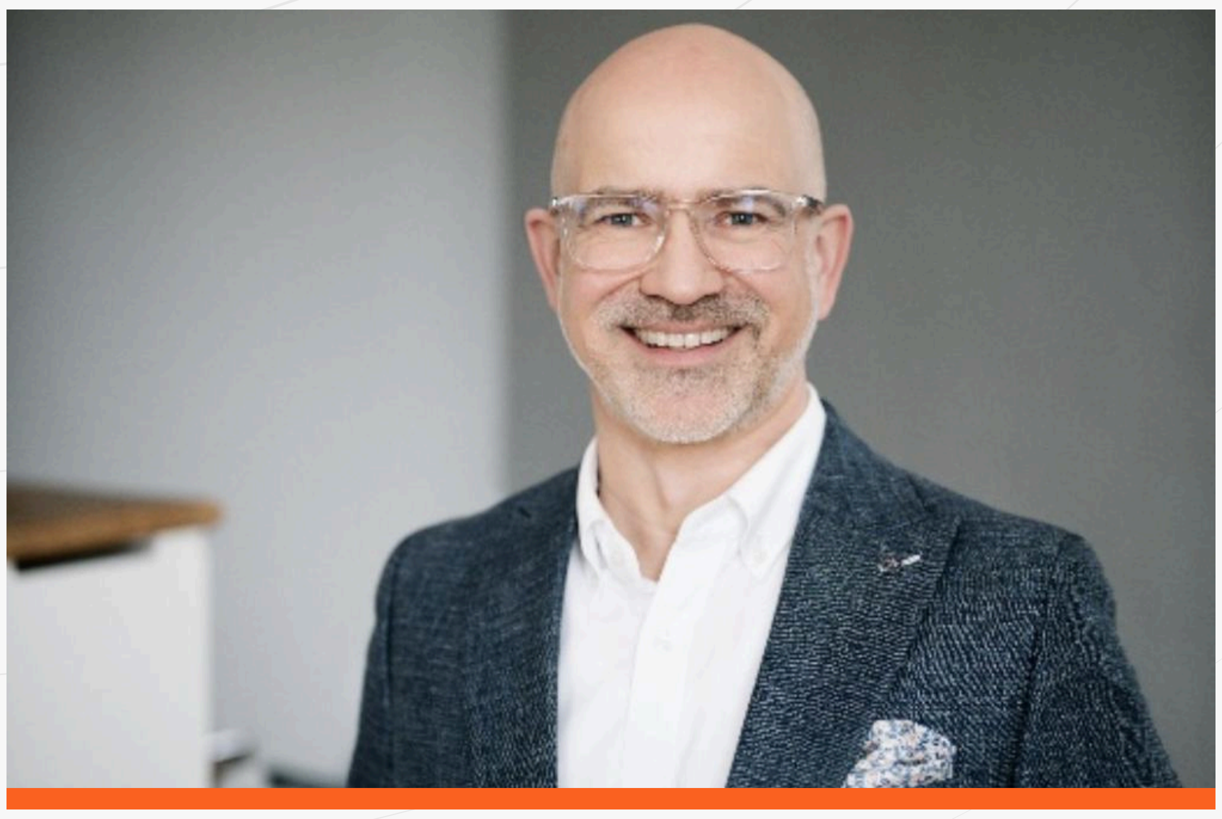

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