Gender Pay Equity: Use the 2027 Pay Review to De-Risk the Business

The era of treating gender pay reporting as a box-ticking exercise is over. For years, leadership teams could publish the numbers, add a safe diversity statement, and move on. Not anymore. The EU Pay Transparency Directive turns pay equity into a live legal, financial and reputation risk.

For CEOs, CFOs and HR Directors, the 2027 pay review is no longer routine. It is a chance to find unjustified gender pay gaps, fix them before they escalate, and build the evidence needed to defend pay decisions.

The choice is stark: fix the gaps now, on your terms, or explain them later under pressure from employees, worker representatives, lawyers or the court of public opinion.

Compliance now has teeth

The Directive changes the power dynamic. Employers will need pay ranges for candidates, clearer pay information for employees, and objective, gender-neutral reasons for differences.

The key gender pay gap trigger is 5% or greater. If a gender pay gap of 5% or greater, appears in a category of workers doing the same work or work of equal value, and it cannot be justified or fixed, a joint pay assessment may follow.

That has real cost. For the CFO: remediation, back pay and legal spend. For HR: retention risk, difficult conversations and tighter recruitment scrutiny. For the CEO: governance, brand and trust.

- **Employees will ask better questions.** Once pay information rights are live, unexplained disparities will not stay hidden.
- **Managers will need evidence.** Subjective pay decisions will be hard to if not impossible to defend.
- **Budgets will need discipline.** Equity correction must be funded before discretionary merit is layered on top.

Case study: turning the annual pay review cycle into risk control

A technology and services client with 1,250 employees had a common problem. A 4.5% salary increase budget was handed to department heads. Managers then made decisions based on performance, tenure and local judgement.

On paper, the process looked sensible. In practice, it was compounding risk. Reporting showed an 6% overall gender pay gap and unexplained 8% to 10% gaps in key mid-level cohorts.

The client changed the review cycle process before money was allocated.

Roles were grouped using gender-neutral job evaluation criteria. 1.5% of the total budget was ring-fenced centrally for gender pay equity remediation. The remaining 3% went to standard merit and performance decisions. Equity corrections came first. Managers could not block justified gender pay equity fixes.

The result: category gaps fell within compliance in one cycle. The company entered the next financial year with cleaner pay architecture, better evidence and lower exposure to the 5% trigger.

The executive action plan

1. Define work of equal value before the budget is allocated

Legacy grades and job titles are not enough. The Directive looks at equal work and work of equal value, which may cut across functions, titles and reporting lines.

Action: refresh your job evaluation framework before pay decisions start. If you cannot define comparable work, you cannot locate the real risk.

2. Ring-fence money for gender pay equity correction

Hand the full annual increase budget to line managers and pay equity will lose. Retention pressure, negotiation and local priorities will dominate unless equity has protected funding.

Action: create a central remediation fund and apply it before merit. Treat equity as a risk correction, not a manager preference.

3. Reduce manager discretion

Unstructured manager discretion widens gender pay gaps. “Flight risk” and “strong contributor” may matter, but they are not a defence unless backed by evidence.

Action: require evidence for above-guideline increases: measured performance, scarce skills, criticality or market data. Block vague explanations.

4. Audit starting salaries

Fixing internal gaps is pointless if new hires arrive on unequal terms. Weak hiring controls import tomorrow’s pay gap.

Action: audit starting salaries by role, grade, gender and source of hire. Look for patterns where one group enters lower in the range while another starts near midpoint or above. Use your recruitment actions to reduce gender pay gaps where possible.

The commercial case

Pay equity remediation costs money. So does ignoring it. The real price of delay is legal exposure, back pay, forced assessments, damaged trust, weaker retention and a tougher recruitment market.

Handled well, pay transparency becomes an advantage. Companies that can explain pay practices, evidence pay decisions and show active correction will be better placed to attract talent, retain trust and withstand scrutiny.

Final point

The 2027 pay review is not business as usual. It is the chance to clean up pay architecture, fund targeted fixes and remove indefensible gender pay gaps before they become disputes.

Act now while you still control the cost, timing and message. Wait, and someone else may control all three.