"You can't be opaque about pay transparency"

Over the last 3 years, I have said some version of the line above — usually just after an organisation has assured me that it is "fully committed to pay transparency", while simultaneously guarding its pay practices like the third secret of Fátima!

There is a familiar scene playing out in organisations across Europe. Employers have heard about pay transparency. They know legislation is coming — or, in practical terms, already knocking politely at reception. They have attended the webinar, downloaded the checklist and created a project team with a deeply reassuring name. Yet the central challenge is not understanding the legislation. It is determining whether the reality of their pay practices can withstand the transparency the legislation requires.

In other words: "We'll be transparent, but preferably without anyone seeing too much." It is an understandable instinct. Pay has long been treated as one of those workplace topics best discussed in hushed tones, somewhere between restructuring rumours and who really approved the executive car scheme. But the problem for employers is simple: pay transparency legislation is not asking for a better-looking reward strategy statement. It is asking organisations to explain how pay is actually decided — openly, objectively and consistently.

Why compliance alone is not enough

The EU Pay Transparency Directive is designed to move employers from reactive explanations to proactive accountability. It pushes pay ranges into recruitment, gives employees rights to request pay information, requires objective and gender-neutral criteria for pay and progression, restricts pay secrecy and expands gender pay gap reporting. Where gaps cannot be justified by objective factors, employers may need to explain, justify and remedy them. In short: it is not just asking organisations to show their pay workings; it is asking whether the pay workings would survive daylight.

That is a very different proposition from simply publishing a salary range on a job advert and hoping for the best. Compliance is not a communications exercise alone. It is not a case of asking HR to polish a few phrases, brief recruiters not to mention salary history, and rename "discretionary adjustment" as something that sounds less like "we made it up on the day." The legislation reaches into the foundations of how pay decisions are made, recorded, explained and defended.

The hidden costs of legacy pay decisions

Many organisations are discovering that their real exposure is not the absence of a policy. It is the presence of pay practices that have evolved over years with insufficient structure.

Legacy deals, inconsistent starting salaries, uneven manager discretion, market supplements that never quite expire, retention payments, negotiation outcomes and "special cases" can accumulate into a pay landscape that is less a strategy than an archaeological dig — complete with strange artefacts, missing labels and nobody quite sure who put them there.

Consider a common scenario. Two employees enter the same role six months apart. One negotiates aggressively during a labour shortage and starts 15% higher than the other. Five years later, both are performing similar work, yet neither manager can explain the difference beyond the fact that "the market was difficult at the time." Transparency does not create that problem. It makes the explanation unavoidable.

This is where the belief that opaque pay practices can continue becomes risky. Transparency does not create pay issues; it reveals them. If two employees doing the same work, or work of equal value, are paid differently, the question will no longer be whether anyone notices. The question will be whether the organisation can explain the difference using clear, consistent and gender-neutral criteria. "Because that is what we agreed at the time" is unlikely to set the compliance world alight.

The cultural shift is bigger than the legal one

For reward professionals, the legal requirements are only part of the story. Pay transparency changes the psychology of pay. Employees and candidates will have more information, more rights and, inevitably, more questions. Managers will need to discuss pay decisions with confidence rather than retreating behind "HR says no." Recruiters will need credible salary ranges. Finance will need to understand the cost of correcting what transparency uncovers. Leaders will need to understand what the numbers are telling them before employees, representatives or regulators do.

This requires a shift from pay secrecy to pay literacy. Pay literacy means that employees, managers and leaders understand the principles behind pay decisions, even where individual salaries remain confidential. It means managers can explain how roles are valued, what factors influence progression, how salary ranges work and where discretion begins and ends. It also means leaders can read the organisation's pay data as a business signal, not merely a compliance report. Are similar roles treated consistently? Are recruitment premiums becoming permanent inequities? Are promotion outcomes reinforcing or correcting historical gaps? If the answers are vague, contradictory or stored in the head of someone who retired years ago, there is work to do.

Transparency starts with evidence, not messaging

The temptation for some employers will be to manage transparency at the edges: tighten job adverts, update policies, prepare standard responses and hope no one asks too many awkward questions. But sustainable compliance starts earlier. It means reviewing job architecture, salary ranges, grading, pay and career progression rules, allowances, bonus criteria and manager decision-making. It means identifying unjustified pay gaps before they

are exposed externally. It means deciding what the organisation believes fair pay looks like — and then checking whether the payroll agrees.

That work can feel uncomfortable. It may reveal inconsistencies that are expensive or politically sensitive to address. It may challenge long-standing habits. But the alternative is worse: being forced to explain, under pressure, why the organisation's pay practices are fair when the evidence is messy, incomplete or quietly pointing in the opposite direction.

There is also a hard commercial case for doing this well. Unclear pay systems make hiring harder, weaken trust, increase retention risk and make workforce costs less predictable. They also leave leaders exposed to reputation, employee relations and regulatory pressure at precisely the moment when they need a clear, defensible story about how pay works.

A practical starting point for leaders

A sensible first step is to run a pay transparency readiness review. Not a glossy "we value fairness" statement, but a practical assessment of whether pay decisions can be explained and evidenced. Start with the points where discretion enters the system. Test whether job levels and salary ranges are coherent. Review starting pay decisions. Examine pay progression and promotion outcomes. Train managers before they are handed difficult questions with nothing but goodwill and a slide deck. And, crucially, involve reward, HR, legal, finance and leadership together. Pay transparency is not an HR side project; it is an organisational transformation issue.

The bottom line

The organisations that will navigate pay transparency well are not necessarily those with perfect pay systems today. They are the ones willing to look honestly at their current practices, make defensible choices and communicate them clearly. The organisations most at risk are those hoping to comply with transparency while preserving opaque pay practices as a cherished cultural artefact — preferably displayed behind glass and never questioned.

Pay transparency is not a passing compliance fad. It is a permanent change in the relationship between employers and employees. The opaque curtain is being pulled back. Organisations no longer have a choice between transparency and opacity. The choice is between explaining pay on their own terms today or being forced to explain it under scrutiny tomorrow.