

A NEW ERA OF PAY TRANSPARENCY: WHAT THE EU DIRECTIVE BRINGS



YOUR SAFE HARBOUR

THE NEW EU RULES – WHAT TO EXPECT

The Pay Transparency Directive

EU Directive 2023/970 of 10 May 2023 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms.

The Directive **must be transposed** into Czech law **by 7 June 2026**, though no implementing legislation has been presented yet, even in draft form.

For the purposes of equal pay, pay means

- Basic salary/wage paid under employment contracts or flexible work agreements (DPP and DPČ)
- Supplementary and variable components and benefits, including for example:
 - bonuses
 - overtime pay
 - travel allowances
 - housing and meal allowances
 - severance pay, extraordinary bonuses and other payments on termination of employment
 - workplace pension, life insurance and similar schemes provided by employers
 - benefits in kind

Main pillars of the Directive:

Transparent pay-setting

- A transparent **pay system** based on objective and gender-neutral criteria
- Easy access for employees to these criteria

Transparency towards job applicants

- Ban on inquiring about salary history
- Obligation to timely inform candidates about the starting salary/salary range
- Gender-neutral recruitment (including job advertisements)

Employees' right to information

- The right to **request written information** on their own pay and on average pay levels broken down by gender for their job category
- The right to receive further clarification and information
- Employers' obligation to inform employees of their right to information
- Ban on pay secrecy clauses (already in force in the Czech Republic)

Pay gap reporting

- Employers will report the following information to the relevant authority:
 - **the gender pay gap** and its median, both overall and broken down by job category
 - the proportion of male and female employees receiving discretionary pay components
 - other specified data
- Some of this information must also be made available to employees or their representatives
- Reporting frequency depends on the number of employees:
 - **250 or more employees**: first report covering **2026** (due by 7 June 2027), then annually
 - **150–249 employees**: first report covering **2026** (due by 7 June 2027), then every three years
 - **100–149 employees**: first report covering 2030 (due by 7 June 2031), then every three years
 - Under **100 employees**: reporting is voluntary

Addressing pay gaps

- Where reporting reveals a gender pay gap of **more than 5%** in any job category, the employer must:
 - justify the gap on the basis of objective criteria, or
 - remedy any unjustified gap within six months
- Otherwise, the employer must carry out a joint pay assessment
 - in cooperation with workers' representatives
 - with the aim of analysing the situation and taking remedial action

What else does the Directive cover?

- **Single source principle**: equal pay is assessed collectively across affiliated employers
- **Employee compensation**: non-compliance may result in affected employees' right to full back pay and damages, including default interest
- **Burden of proof**: in a dispute, it is the employer who proves compliance
- **Public procurement**: non-compliance may result in exclusion from public procurement

WHAT CZECH LAW ALREADY REQUIRES – AND WILL CONTINUE TO REQUIRE

Section 16 of the Labour Code:

Employers must ensure **equal treatment** of all employees. This applies to:

- pay and other financial benefits and other benefits of monetary value (such as travel and other allowances, monetary benefits and benefits in kind)
- working conditions
- access to training
- opportunities for career advancement

Section 110 of the Labour Code:

All employees are entitled to equal pay for equal work or for **work of equal value**.

Work is considered to be of equal value where it is equal or comparable in terms of its:

Complexity, responsibility, and demands:

- required education, knowledge and skills
- complexity of the work itself
- organisational and managerial demands
- responsibility for damage, health and safety
- physical, sensory or mental strain, etc.

Working conditions:

- scheduling of working hours — shift patterns, weekend, night and overtime work, etc.
- workplace hazards and other adverse factors

Performance and work results:

- intensity and quality of work
- work capabilities and competence
- quantity and quality of work output

PLEASE NOTE: Equal pay is not assessed only between employees in the same role — it also applies across different jobs that are of equal or comparable value (such as a shop assistant and a warehouse worker).

New Section § 346a of the Labour Code – the first sign of the Directive in Czech law:

Employers **may not** restrict employees from sharing information about the amount and structure of their pay → an explicit **ban on pay secrecy clauses**

HOW TO PREPARE FOR THE NEW RULES – A STEP-BY-STEP GUIDE

STEP 1

Review and classification of jobs

- Carry out a review of existing jobs and group them into categories based on the criteria defining equal work or work of equal value.

To establish individual categories, employers must define the criteria for determining the value of work — such as qualifications, length of experience, complexity of the work, level of responsibility, soft skills, etc. — together with their relative weighting based on the employer's needs, thereby assigning a value to each role. The criteria should also be reflected in the job description for each position.

The classification and accompanying job descriptions will become essential for every employer.

STEP 2

Developing a comprehensive pay system based on the job classification

- Introduce or update the existing pay system to ensure it is transparent and that pay for each role is based on the defined value of that work.

In most cases this will take the form of an internal policy document; however, employers are not required to specify the exact pay levels applicable to each job category.

STEP 3

Review of current pay levels and identification of inequalities

- Review the pay levels of individual roles as well as those of specific employees.
- Where inequalities are identified, verify whether they are supported by objective criteria (such as performance) and properly documented and justified.
- Identify any potentially unjustified gaps and assess the options for addressing them.

STEP 4

Transparent processes and communication

- Establish or update internal processes and documentation for pay decision-making.
- Provide managers responsible for pay decision-making with adequate training.
- Prepare a template for mandatory notification of employees of their right to receive pay-related information.
- Begin preparations for mandatory pay gap reporting and for cooperation with workers' representatives in assessing pay gaps.

WHAT IS LOGIB?

- **Logib, a Swiss software tool**, may help you with assessing the current state of pay at your organisation by identifying pay gaps and comparing the value of work across different roles.
- Logib is used by Czech public authorities, including supervisory bodies such as the State Labour Inspection Office and the Ministry of Labour and Social Affairs, which have developed a special version adapted to the Czech environment.
- The tool, together with detailed instructions, is freely available at www.rovnaodmena.cz. We will be happy to assist you with using Logib.

SUMMARY

The basic rules on equal pay are already in force — the Directive "merely" strengthens their enforceability, and increases pay transparency for employees

Pay should be set not only by reference to the role, but also to the value of the work

Two entirely different roles may constitute work of equal value and should therefore attract equal pay

The first step is to carry out a pay review

↓
identify the causes of inequalities

↓
introduce an overall pay system based on objective criteria and eliminate unjustified gaps

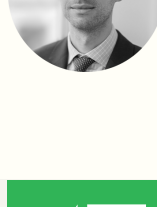
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update internal policies, procedures and practices accordingly

In case of larger employers (150 or more employees), pay systems and levels for 2026 will already be subject to mandatory reporting under the Directive

HOW WE CAN HELP YOU AT LTA

- ✓ We will carry out a **comprehensive analysis of your current pay system** and identify any shortcomings.
- ✓ Using the Logib tool, we will show you how you would fare in case of a public **inspection**.
- ✓ We will discuss available **options and approaches** to pay-setting and adjustments to your existing policies.
- ✓ We will help you introduce a **coherent pay system** compliant with the Directive.
- ✓ We will advise you on setting and weighting the **criteria for value of work** across your roles.
- ✓ We will review or prepare all relevant **legal documents** — pay policies, employment contracts, job descriptions, etc.
- ✓ We will propose **further measures** to minimise risk.
- ✓ We will prepare you for the new **notification and reporting obligations**.
- ✓ We will train your **managers**.
- ✓ We will advise you on how to **communicate** pay changes to your employees.
- ✓ And of course, we will be happy to assist with anything else you may need.

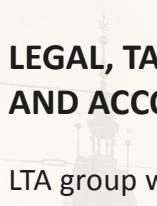
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