

# What Employers Need to Know About EU's Pay Transparency Law

*Updated 14 May 2026*

**Intro:** You are listening to C-Suite Perspectives, a podcast by The Conference Board.

**Marion Devine:** I'm Marion Devine, principal researcher from the European Human Capital Center at The Conference Board, and the guest host of today's episode. So today we're going to discuss pay transparency, which becomes law across countries in the European Union in just one month's time, and we'll explore what it means in practice for organizations, how they're preparing for the changes ahead.

This is also a key theme that we'll be exploring at our upcoming event, Future Reward Europe 2026. Last year's event, I have to say, it was a very lively session. Joining me now is James Williams, who is head of global total rewards at Ericsson. Welcome, James.

**James Williams:** Thank you, Marion. Great to be here today to talk about what is a really important, a very long-standing topic in the world of rewards.

**Marion Devine:** That's a good segue into my first questions, James. Before we drill down into particulars, let's just look at that big picture. What do you think will change as a result of the new law? Do you see pay transparency mostly being a sort of compliance issue for companies and across Europe or do you think it will help drive a more fundamental culture shift in how organizations think about equity, fairness, and trust? Will it make a difference?

**James Williams:** I'm probably an optimist in this space, where I believe that if we get it right in the world of rewards and in the world of business more broadly, it will help to shift the dialogue from what has historically been quite a black box, lack of trust topic-- let's call that my area of specialism, rewards-- to a world whereby we are able to talk about it, not necessarily completely openly but openly enough such that people can understand

the why of their pay, the what of their pay, with a view to really valuing all the different elements of their pay.

And under that would be this transparency part. Beyond that, because they understand the why and the what and the value, they also feel that they are fairly paid for the work they do. If we can get that, there's a great opportunity. Clearly, the law in Europe and in other countries around the world potentially acts as a sanction to that.

One of the things I'm proud of at Ericsson is that we have two reward principles-- one being fairness and one being transparency-- which means that we've been on the journey for some time now. But it's definitely going to be some difficult waters to navigate to get to the right answer rather than it just being about compliance, which I think would be much too narrow a view.

**Marion Devine:** Thank you, James. From what you're saying, it's not just gender pay equity, it is that broader landscape of people really understanding about pay and benefits and having those conversations. Tell us a little bit about Ericsson in terms of pay transparency. You've just touched on it, how does the concept of transparency fit into your pay philosophy, your performance management process, and culture? Is this something that's just come about in the last two years or is it something bigger for you?

**James Williams:** We have four pay principles at Ericsson, one being contribution or performance, one being competitiveness. Those two probably aren't super surprising as upfront and in the face of employees in the way that we talk about pay. But the next two, and the only other two, are fairness, which is about being consistent in what we reward for, that our pay decisions are non-discriminatory, and we use the same criteria when we're making our decisions. And then secondly, transparency, that we work to be as transparent as possible around the rationale for pay decisions so that each employee knows why we're getting what we're getting for working at Ericsson.

50% of our principles are about fairness and transparency. It helps that they're separated because sometimes we get a bit jumbled up with the European legislation about is it all about pay equity? Ah, not so much. It's also about driving up understanding and that's a little bit of the reason for my optimism, which is if we can get better at explaining, as I talked about earlier, the what and why of pay, then we've probably got a chance of fewer complaints rather than more complaints about pay equity.

**Marion Devine:** Yeah, absolutely. Let's hope for that. And of course, companies like yourself have been on a journey. But now we have the arrival of the EU Pay Transparency Directive and companies have been preparing for that in the last two years. I've certainly heard a lot about pain points and struggles and frustrations. When it comes to implementation, what's it been like for you? Has it been a smooth process or have there been road bumps along the way?

**James Williams:** I would say there's been both, to be perfectly honest. One of the hardest things with this has been how best to size it and how best to approach it from a

point of view of is that best driven globally or is that best driven locally? Do you need a global aspiration or because right now there's only four countries that seems to be moving forward on the original timeline, should we have done it locally? I think a little bit borne of our principles, there's a really wonderful opportunity to leverage those and move forward. But we have a global ambition. That was difficult to agree. We have four countries that are hopefully moving ahead by moving the directive into local law come June. We also need to be actively ready for them.

And there's been so much uncertainty in the space of what does being ready look like. That's been a difficult space to navigate because we started in a really meaningful way in Ericsson probably in 2022, where we implemented a global pay equity tool that we developed in house. We had it audited so that we knew that we were doing the right thing when we were looking at fair pay.

We'd started the journey, at least for that principle and that part of the directive. We then moved that into fair pay nudges in our annual compensation review to make sure that managers were at least aware when they were making things worse or making things better when it came to fair pay. We then provided a dashboard to help with the information that's very focused on the fairness and equity of pay.

I think where we found it more difficult to get momentum is, I'll show you mine if you show me yours kind of thing, whereby talking about pay in a very open way, which is what some of the directive is asking us to do, is quite a difficult space to navigate. For me, getting managers ready to be able to answer difficult questions from employees, particularly given the data that the legislation asks us to provide around average. As a reward professional, I'm really not a big fan of average and that's a very difficult thing to get managers ready for so they're dressed for success.

I think that journey from being a manager who's been quite human resources (HR) controlled in their decision-making and maybe one of those managers-- clearly we don't have them at Ericsson-- that maybe in other companies there's managers that would say, "HR told me they've got a really long way to travel to get ready for an employee that comes to them and says, "Why am I paid below the average?"

**Marion Devine:** Yes. Yeah, absolutely.

**James Williams:** I think that's a big bump. And I think then the changing of the scale of this issue to the point at which we almost feel like it may be the emperor's new clothes has been difficult. If you'd asked me six months ago what it was looking like, a Europe-wide go live of pay transparency, and we had to get all the managers in all of those locations ready. Now it looks like, am I going to do too much if I do that? Should I just worry about Italy, Poland, Romania, and Slovakia at the moment? Now we're trying to plow a middle course where we're ready everywhere but it's really hard to get local resources to pay attention when they know their government has just delayed it until some unknown date in the future. Local attention but also the manager journey have been the biggest bumps for us up to now.

**Marion Devine:** Maybe for the benefit of our listeners who might not be fully aware of how it works in the European Union, we have a directive and then every member country then has to transpose it into their own local laws. They may already have laws around gender pay gap reporting, other employment standards and things, and so they have to be folded in. As James is saying, some countries have issued those guidelines about how it will be transposed, others have not and are delaying it. In fact, that headache about what does it mean to be ready in the face of such ambiguity and differing guidelines across Europe is very hard. How do you define readiness, James?

**James Williams:** We define readiness as we will be able to provide the necessary information currently as outlined by the directive on a Europe-wide basis. And then based on the transposition in the four countries that I've just mentioned, thinking about what if there's anything additional in those spaces, creating a process to support that right for information.

And then also having some points of view about what are we going to be transparent about, clearly guided by the directive. For example, what are we going to do about publishing salary structures? Who are we going to publish salary structures to? There's some company-wide principles and approaches that you can agree to regardless of where the transposition process is to short-circuit some of that.

But to some degree, there's infrastructure requirements, there's training requirements, and then there's process and communication requirements that we need to tick off in order to ensure that we are ready to go. I'm quite fortunate at Ericsson in that we have quite a lot of the infrastructure in place partly because we're a large organization that has invested in some digital tools that makes this a little easier.

Therefore, having a good global job architecture where we can identify whether people are doing the same sort of work, we didn't need to invest too much in that because we've got that. I'm blessed by the fact that by the end of 2026, 99% of our employees will have access to an online compensation and benefits portal where they can see at least their own information, which we plan to incorporate the required other elements of transparency country by country. So we have a bit of a head start on that side.

Where we have road left to travel is back to the headaches that I mentioned around manager readiness and local country readiness because as the EU directive gets transposed into local law, there will be local reporting requirements in every country. Therefore, is the local people partner in a particular country really well equipped to make sure that we report compliantly given the potential sanctions if we report non-compliantly? Maybe not and therefore getting all of that infrastructure in place to help out too has been something of a challenge.

**Marion Devine:** Yeah. So there are opportunities in terms of this better and informed conversation but there are challenges in the practicalities and there are risks in terms of potentially getting it wrong. So we're going to take a short break now and then we're going

to continue our conversation with James Williams, head of global total rewards at Ericsson.

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**Marion Devine:** Welcome back to C-Suite Perspectives. I'm your host, Marion Devine, principal researcher in the European Human Capital Center at The Conference Board, and I'm joined by James Williams, head of global total rewards at Ericsson. So James, it's been a really interesting conversation so far and I'd like to drill down now into some of those specific requirements of the new law on pay transparency-- which, of course, requires much more openness about how companies determine not just pay but benefits and career progression to both job candidates and the entire workforce.

One of the things that I've seen with our own companies is that employees are allowed to make requests for pay information. That seems to be quite a complex area. Can you tell me a little bit how you're approaching that? Do you intend to be very proactive? What's going to be your process?

**James Williams:** We will proactively share a certain amount of information, a little bit country by country, but we have a global platform which allows employees to see their compensation and benefits information called Ericsson For Me and we will provide that information to employees through that platform.

Our intention is to give managers additional information to help them with the difficult questions. So given that the directive as currently stated requires us to give the average of certain elements of pay, we will give managers the median. Because the median can be a long way from the average. You only need a population of eight where two people have significantly different pay to the rest and that will move the average, where the median will move less. So from my perspective, we will provide the information. It will be a little bit country driven. We'll give managers early access to that information so they can be forewarned is forewarned.

And ultimately, over time, we will probably move a little faster than the directive because of our global reach. As I mentioned earlier, Ericsson for Me will reach 99% of our employees by the end of 2026. We'll have an opportunity to own this narrative a bit even though we might disclose less information in a non-European country because we don't

need to.

**Marion Devine:** You're talking about dashboard and various great tools to inform people but what about training? Do you need to train employee representatives, managers themselves about the data, how to interpret it, some of the questions that might arise?

**James Williams:** I would say yes and yes, Marion. Yes, in short. In terms of the longer answer, if I just take our works council partners and union partners, we've already started a dialogue with them about our direction of travel, our aspiration in this space at a global level but then also at a local level. We've worked hard to make sure they feel comfortable with this.

Then there are probably three other groups that we're going to spend significant time, effort, and energy on. Clearly there's some positioning for employees in those four countries and then more broadly. But ultimately, again, trying to own the narrative around what is pay transparency all about.

It's coming back to the what of your pay, the why of your pay, and the value of your pay. If employees can start to understand that, I think we'll actually move the conversation in the right direction. The group that is probably most stretched here is managers, where it's a very different position to be a manager when somebody can see the average pay of everybody in the same category of worker in their country. It's a much more nuanced conversation that managers are going to need to be able to have with employees. So absolutely we'll be investing in building manager capability ahead of country go lives.

Beyond that, because of the uncertainty of the timeline, we're also working on some deeper manager training called Reward Explained that will be ready in the second half of this year, given the likelihood that the bulk of countries will be going live in 2027.

Also we plan to take some steps that are maybe preemptive around moving from one way of paying or one way of building our salary structures to a more transparency-friendly way of doing it. Just helping them be well equipped for those conversations sooner rather than later will help.

And then I think particularly for our colleagues in the broader world of HR, there's probably some education that we need to do there to for them to be in the best possible place to support the leaders that they partner with. So yeah, we've probably got, I would say, four key stakeholders in every country that we need to get as ready as possible.

I still don't think that's going to get us out of the occasion where we have a manager not answering well and we'll then need to triage that process as best we can.

**Marion Devine:** That's really interesting to hear. Something we've seen is that companies at the start of this journey were saying, "Yeah, we're going to go for a global framework."

But certainly at The Conference Board, we've seen Members pull back from that, think a little bit differently. Do you have aspirations or do you already have it, a global framework, or are you a bit more pragmatic in terms of how it plays out across different regions?

**James Williams:** We have a global ambition but certainly when we set it, we were kind of informed on a timeline basis that by the end of 2027 we would have a global approach to pay transparency. Given the shifting timeline, we might not get there.

But we have four key pillars to our global ambition. One is about ensuring a fair recruitment process and we very much try to focus that on both internal and external recruitment, so there isn't a different deal just because we're posting it externally.

But that's, as expected, very much framed around pay history and actually asking about pay expectations to avoid importing bias. Then there's this part that I've talked about a fair amount, which is about ensure understanding of our rewards. Really educating our reward models but also our job architecture so they understand the concept of category of worker and they understand the why of their pay.

I think also really helping employees to connect and have strong engagement with their individual rewards. How is your pay competitive in the market for the job that you operate in? Also through the fair principle that we have at Ericsson, really building trust that we reward without discrimination and if we find it, we take remedial action.

We have those four overarching principles that we really want to be able to hold every manager accountable for but also give every employee access to. I'm just not quite sure on the by when date. And then particularly in Europe whereby there'll be more stringent reporting requirements and local interpretation, we've decided rather than to go big bang to be informed country by country and simply be ready everywhere to press go, and then press go when we have more clarity about what are the requirements in each country.

**Marion Devine:** Thank you. We have to redefine the word readiness for companies. It is about a mix of having the foundations in place but also some sort of flexibility or agility in responding as things unfold. Just one final question. If there's one recommendation that you'd give to businesses on their journey of implementing pay transparency-- and as you say, some businesses have already been well a long way; for others, it's been quite a steep and quick journey, let's say-- what would that advice or recommendation be?

**James Williams:** From my perspective, it's probably the same comment that I would make about almost any HR change requirement is invest in your managers because you don't have enough HR people to touch every employee in a consistent way.

Their main relationship on anything with your organization is their manager. If you equip the manager to have a great conversation about pay transparency or pay fairness-- but you could almost insert any HR theme in that space-- you have a much greater chance of success.

If I was thinking about where I'm guiding my team to invest their effort is do all we can to make our managers as well prepared for an open conversation about pay and then to be able to explain pay equity in a different way than that was all the budget I had, for example, then I think we've got much more opportunity of this being a change for good rather than a change for compliance.

**Marion Devine:** Brilliant. Thank you, James. That's a great note to end on. Thank you so much for joining us today. It's been really interesting finding out where you are at Ericsson. And thanks to all of you for listening to C-Suite Perspectives. I'm Mary Devine, and this series has been brought to you by The Conference Board.

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