

## Regarding transposition of Pay Transparency Directive in Estonia

April 2026

By 7 June 2026, all EU Member States, including Estonia, must transpose the Pay Transparency Directive (Directive (EU) 2023/970 of the European Parliament and of the Council).

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**By 7 June 2026, all EU Member States, including Estonia, must transpose the Pay Transparency Directive (Directive (EU) 2023/970 of the European Parliament and of the Council). Many companies have already begun preparing to bring their pay systems and processes into compliance with the Pay Transparency Directive.**

At the time of this Newsletter, the exact transposition approach in Estonia remains under discussion and there is no relevant draft law yet. Moreover, according to public information, the **Estonian government has made a proposal to the European Commission to postpone the entry into force of the directive by two years and to revise it**, because in its current form the directive would significantly increase the administrative burden on businesses.

## Directive not transposed in a timely manner

Failure to transpose the directive may not only lead to infringement proceedings, but its later transposition may also create uncertainty for companies and may not fully protect employers from the requirements of the directive.

Pursuant to general principle, a directive affects employment relationships only after it has been transposed into national law. At the same time, where a directive has not yet been transposed, national courts are required to interpret existing labor law and equal treatment law in conformity with EU law. Where the provisions of the directive are sufficiently clear, precise and unconditional, this may allow relying on them in legal proceedings. This means that even the Pay Transparency Directive that has not been transposed into national law may have a direct effect on employment relationships, as Estonian courts must interpret national law in line with the objectives of the directive.

## Purpose of the Pay Transparency Directive

The directive aims to:

- reduce and ultimately eliminate the gender pay gap;
- strengthen the principle of equal pay for male and female employees for equal work or work of equal value;
- eliminate pay discrimination in the public and private sector by improving pay transparency.

The Directive therefore encourages employers to review and structure their pay systems more carefully and to increase transparency.

## Which obligations does the directive entail?

Under the directive, there are obligations:

- which apply to all employers, regardless of the number of employees, and
- which apply to certain employers, depending on the number of employees.

### Reporting obligation

Pay gap reporting is:

- mandatory for employers with 100 or more employees, and
- voluntary for employers with fewer than 100 employees, unless a Member State decides to introduce mandatory reporting for smaller employers at national level.

First reporting is expected by June 7, 2027, based on pay data from the second half of 2026, and applies to employers with 150 or more employees, while employers below that threshold (100-149 employees) will report in the later reporting cycle. The report must be submitted either annually or every three years, depending on the number of employees.

Most of the other obligations set out in the directive apply to all employers, regardless of the number of employees.

### Pay transparency at the recruitment stage

Pay transparency requirements at the recruitment stage apply to all employers, irrespective of workforce size. The directive sets out several obligations, including the requirement to inform job applicants of the initial pay or the applicable pay range for the position, as well as of any relevant collective agreement provisions.

Failure to comply with rules on pay equality and transparency, including at the recruitment stage, may result in sanctions. The directive requires EU Member States to introduce effective, proportionate, and dissuasive penalties.

### Employees' right to information

Employees have the right to request and receive in writing, within a reasonable period of time but in any event within two (2) months of the request, information on:

- their **individual pay level**; and
- the **average pay levels**, broken down **by gender**, of the **categories of employees** performing equal work or work of equal value.

It will also be compulsory for the employer **to inform employees, once a year**, about their right to access information and manners of accessing it.

Further on, employers must make accessible to their employees **the criteria used to determine pay, pay levels, and pay progression**, ensuring that these criteria are objective and gender-neutral. Organizations with less than 50 employees are exempt from this requirement.

If you have any questions concerning pay transparency, we are happy to support you. We provide labor law advice to entities operating in any sector and in any legal form.

## Contact person

### Triin Keba

Attorney

T +372 606 8650  
[triin.keba@roedl.com](mailto:triin.keba@roedl.com)



## Imprint

Publisher:

Rödl & Partner Advokaadibüroo OÜ

Maakri 23 A 10145 Tallinn

[info@roedl.ee](mailto:info@roedl.ee)

[www.roedl.ee](http://www.roedl.ee)

Responsible for the content:

Triin Keba

[triin.keba@roedl.com](mailto:triin.keba@roedl.com)

Layout/Type:

Liisa Maide

[liisa.maide@roedl.com](mailto:liisa.maide@roedl.com)

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