

ARTICLE

THE SOLUTION TO PAY EQUALITY IN PORTUGAL: MACEDO VITORINO AND PIHR LEAD THE WAY

The European Union's Pay Transparency Directive marks a monumental shift in the ongoing effort to address the gender pay gap, a persistent issue that has continuously plagued companies and organizations across Europe despite decades of regulatory attempts.

At its core, the directive seeks to dismantle the lack of clarity of remuneration structures that perpetuate pay inequality by mandating remuneration transparency. Thus, empowering workers, employers, and social partners to identify and address unfair pay practices.

The Directive's focus is not only on rectifying the gender pay gap but also on promoting a fairer, more inclusive workplace where remuneration reflects the true value of work, regardless of gender.

A NEW LEGAL LANDSCAPE FOR PAY TRANSPARENCY

The approval of this Directive is timely and reflects growing societal, economic, and political pressure to ensure fair remuneration practices. Despite some progress over the last 20 years, the gender pay gap in the EU remains at approximately 13%, highlighting the urgent need for action.

The Directive addresses the shortcomings of past regulations, including the 2006/54/EC Directive, by specifically targeting the lack of transparency in pay systems which constitutes a major barrier identified in the 2020 assessment report on equal opportunities and treatment in employment.

With the Directive set to be implemented by 2026, companies and organizations in Portugal, as in other EU member states, are on the clock to prepare. This new legal landscape will require businesses to adopt transparent pay policies and practices, fundamentally reshaping how salaries are determined and communicated. As companies and organizations grapple with these changes, they face significant challenges, particularly in understanding and complying with the directive's requirements.

NAVIGATING THE TRANSITION TO PAY TRANSPARENCY

To assist companies and organizations in navigating these challenges, the Law Firm Macedo Vitorino and Pihr, a Swedish leading software provider specialized in pay equity, have partnered. Together, they offer a unique solution that, simultaneously, addresses the legal and technological aspects necessary to ensure efficient compliance by companies and organizations with the Directive's demands. This partnership underscores the growing recognition that achieving pay equity is not just a legal or technical issue but a multifaceted challenge requiring integrated solutions.

In this article, the representatives of Macedo Vitorino (Guilherme Dray) and Pihr (Magnus Drogell) share their insights on the implications of the Directive, the hurdles companies and organizations will face, and how their partnership can help businesses transition progressively to a more transparent and equitable pay system.

Is the EU Pay Transparency Directive seen as crucial to tackling the gender pay gap, and if so, why did it arise only now?

Pihr: Since equal pay for equal work is one of the founding principles of the European Union, it is somewhat surprising that it has taken this long to initiate the Directive. Although the gender pay gap has decreased in the Union over the past 20 years, it is still around 13%, which led the Commission to finally take action to close the gender pay gap.

Macedo Vitorino: As identified in the Directive itself, its transposition is crucial to enable workers, employers, and social partners to take appropriate action to ensure equal pay for equal work and work of equal value between women and men.

Without the increased transparency imposed by the Directive to reveal eventual gender bias and discrimination in pay structures, such actions could be thwarted. The Directive emerged as a solution to the shortcomings of the previous Directive 2006/54/EC, as identified in the 2020 assessment report, which focused on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation.

As 2026 is the deadline for the implementation of the Directive, what can companies and other entities operating in Portugal expect in the coming year and a half?

Macedo Vitorino: Portugal has not yet implemented the Directive or provided full guidelines regarding its transposition. However, it can be expected that several measures will need to be adopted by companies and organizations from both a legal and practical standpoint. HR departments will play a key role in scrutinizing pay systems, identifying pay gaps, and complying with new duties, including creating pay transparency measures prior to employment. Even before the Directive's transposition, companies and organizations may adopt its rules voluntarily.

Will it be a smooth transition for companies in Portugal to adopt the Directive's specifics even before its implementation?

Pihr: Based on our experience from other countries, the Directive will have significant implications for companies. We believe that companies should act sooner rather than later to prepare for the directive, even though it is not entirely clear how Portugal will adopt it into local legislation.

Macedo Vitorino: The transition will require a thorough assessment and adjustment of pay systems and compliance with additional legal duties such as reporting. Small and medium-sized companies may face more challenges due to their limited access to day-to-day legal and technological support and fewer resources.

What are the main factors impacting the Portuguese gender pay gap?

Macedo Vitorino: The gender pay gap in Portugal is influenced by several factors, some highlighted during the Covid-19 pandemic. These include unequal sharing of care responsibilities, overrepresentation of women in lower-paid jobs, and unjustified disparities in promotions favoring men. Lack of salary transparency also obstructs efforts to close the pay gap.

What specific challenges will companies face regarding compliance policies?

Pihr: Companies will need to move away from current pay practices and ensure they can confidently communicate about pay gaps and salary ranges.

Macedo Vitorino: The Directive's requirement for equal pay, covering wages, salaries, and other considerations, will challenge companies and organizations to examine every payment and clearly define remuneration and evaluation policies grounded in performance and competence.

Which legal considerations do companies need to be aware of upon the Directive's implementation?

Macedo Vitorino: Companies and organizations will need to understand various legal issues that impact pay transparency, such as reporting duties, cooperation with workers' representatives, and compliance with collective bargaining rules. A clear identification and comprehension of remuneration policies and employment relationships is also crucial.

What inspired Pihr and Macedo Vitorino to form a partnership, and how does it address both the legal and technological aspects?

Pihr: Pihr sought thought leaders in employee law in Portugal, and our meeting with Macedo Vitorino felt like a great fit. Our partnership connects Pihr's leading software with Macedo Vitorino's legal expertise, providing a comprehensive solution for our clients.

Macedo Vitorino: The Directive poses both legal and practical challenges, so combining legal and technological expertise offers the best solution, tailoring support to each client's unique needs rather than providing a one-size-fits-all approach.

What benefits do you see in combining legal advisory services with technology solutions to promote salary transparency and equality?

Pihr: Our software analyzes vast amounts of data to highlight pay equity issues, providing actionable insights. Clients can then leverage legal counsel to interpret results and navigate compliance challenges.

Macedo Vitorino: Legal advisory services and technology solutions together empower companies to comply with the Directive. Legal advice ensures implementation aligns with the law, while technology provides tools to identify, and address pay gaps.

How does pay equity software streamline key processes, and what features make it effective during the transition?

Pihr: Pihr's application is highly efficient, saving up to 90% of the time spent on gender pay equity analysis. It identifies unjust pay gaps and offers actionable insights, allowing users to focus on strategic decisions rather than data crunching.

Macedo Vitorino: Innovative software like Pihr's helps pinpoint equal pay risks, identify non-equal pay situations, and track the necessary remuneration adjustments. It also allows for phased implementation of equal pay measures until 2026 and facilitates collaboration with legal advisors.

CONCLUSION

The EU Pay Transparency Directive is a landmark initiative aimed at closing the gender pay gap by enforcing greater transparency in pay structures. The directive's requirement for companies to disclose pay information will shine a light on existing inequalities, compelling businesses to address unjustified disparities in compensation. While this regulation promises considerable progress in achieving pay equity, the path to compliance will not be without challenges. Companies in Portugal, especially smaller ones, will need to invest in adjusting pay systems, complying with new legal obligations, and effectively communicating changes to employees and stakeholders.

Pihr and Macedo Vitorino's partnership highlights the critical need for an integrated approach that combines legal advisory services with advanced technological tools. By merging Pihr's cutting-edge pay equity software with Macedo Vitorino's legal expertise, the partnership offers a robust solution to help companies navigate the complexities of the directive. The software's ability to quickly analyze vast amounts of data and identify pay disparities, combined with legal guidance on interpreting and acting on these findings, ensures that companies can transition smoothly and confidently into this new era of transparency.

Ultimately, the directive represents a pivotal moment for pay equity in Europe. By embracing the technological tools and legal support available through said partnership, companies can not only achieve compliance but also set a new standard for fairness in the workplace. The efforts undertaken today will lay the foundation for a more equitable future, where pay reflects the true value of work and all employees, regardless of gender, can thrive.

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If you need further clarification or assistance on any of the related matters, please contact mpego@macedovitorino.com or yalda.zohrehnejad@pihr.com.

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