

*Pay Transparency in Practice*

# From EU requirements to clarity, structure, and better decisions



For many organisations, pay transparency does not only reveal a reporting requirement, but also a lack of alignment between job structure, salary levels, and documentation. With the EU Pay Transparency Directive, the requirements for documentation, structure, and explainability are increasing – but pay transparency is about more than compliance.

For many HR teams, this raises a natural question: How do we work with pay transparency without creating more administration and manual processes?

This whitepaper provides an overview of:

- 1 What pay transparency means in practice
- 2 Which requirements organisations need to address
- 3 How pay transparency becomes a natural part of HR

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## What is pay transparency

### *In short*

Pay transparency means that organisations must be able to:

- Explain how pay is determined
- Document pay differences between employees
- Ensure that pay is based on objective and gender-neutral criteria

For many organisations, pay transparency not only highlights a reporting requirement, but also a lack of alignment between job structure, salary levels, and documentation.

In Denmark, the pay gap between men and women remains around 14%. With the upcoming directive, organisations must be able to document and explain differences and, in practice, move towards a level around 5%, unless differences can be objectively justified.

This is where pay transparency makes a real difference. When organisations systematically collect, assess, and share knowledge about pay, differences become visible. This enables employees to ask questions and provides a shared foundation for explaining decisions and documenting that pay is set fairly and objectively.




However, pay transparency is about more than compliance.

Working with transparency can strengthen trust, retention, and employer branding. Clear frameworks for pay create more realistic expectations, better dialogue, and a stronger sense of fairness.

For HR, this is therefore not just a compliance task, but an opportunity to take ownership and drive a more structured and sustainable approach to pay and development.

## Who does the directive apply to?

Requirements for pay reporting are phased in and depend on company size:

 <b>100–149 employees</b>	Requirements apply later in the implementation period
 <b>150–249 employees</b>	Must report every three years
 <b>250+ employees</b>	Must report annually

The directive impacts the entire employee journey – from recruitment and salary setting to evaluation, development, and promotion. The greatest value is therefore created when pay transparency is embedded in structures and processes from the beginning, rather than treated as a reporting task.



### Important

Most organizations already have the data foundation.

## ***Pay transparency is not just reporting***

A common misconception is that pay transparency is mainly about reporting. In practice, it starts somewhere else - with structure.

When jobs, roles, responsibilities, and pay are aligned:

- Pay decisions become easier to explain
- Dialogue with managers and employees becomes more consistent
- Reporting becomes a natural extension of daily work

Without structure, pay risks being driven by individual decisions, market pressure, and negotiation skills – without a shared reference point.

## ***To explain pay differences, roles must be comparable***

Structure makes roles comparable. In practice, this typically requires:

- Clear roles
- Defined levels
- Pay within a shared framework
- Consistent placement

### **Objective criteria**

Work of equal value must be justifiable. In the Danish model, this is typically based on:





Imagine an employee working as a Junior Developer.

The role is first placed within a broader job type, here IT & Development, which groups related technical functions and creates a shared professional foundation.

Within the job type, the specific role is defined (e.g. Junior Developer). Each job is linked to a unique job function code, enabling external reporting and comparability.

The employee is then placed within a salary level (L1–L5). The level reflects complexity, responsibility, experience, and business impact – not just tenure.

A typical progression might look like:



Each level is linked to a defined salary band (min, midpoint, max).

This means:

- Salary is explained based on both role and level
- Not solely on individual negotiation

Lønniveau 1 Junior	Lønniveau 2 Udvikler	Lønniveau 3 Specialist	Lønniveau 4 Senior	Lønniveau 5 Faglig Lead
30.000	35.000	45.000	55.000	70.000
35.000	42.500	52.500	65.000	85.000
40.000	50.000	60.000	75.000	100.000

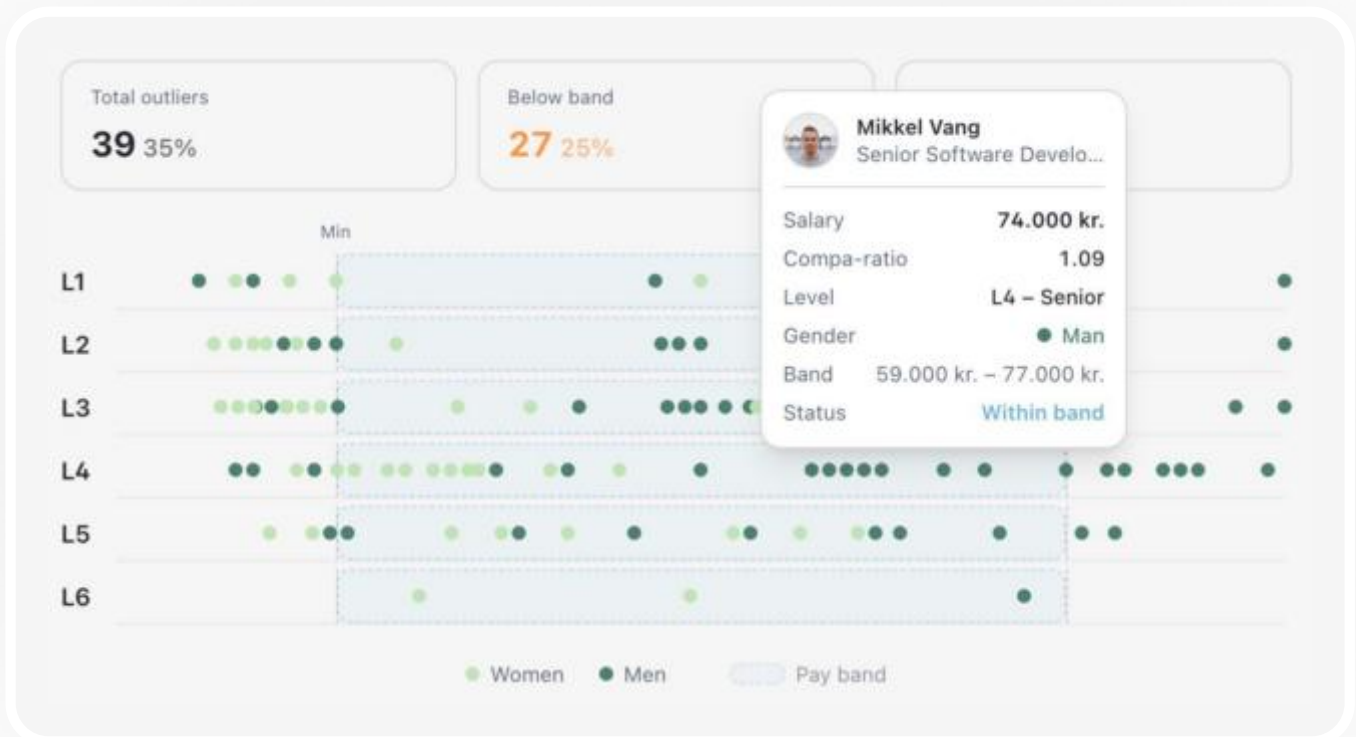
Two employees can therefore have the same title but different salary levels if their responsibilities and complexity differ.

If the developer later takes on leadership responsibilities, they are placed in a different role (e.g. Engineering Manager) with its own levels and salary bands – clearly separating specialist and leadership tracks.

## Why is this structure important?

Pay does not need to be equal – but it must be explainable.

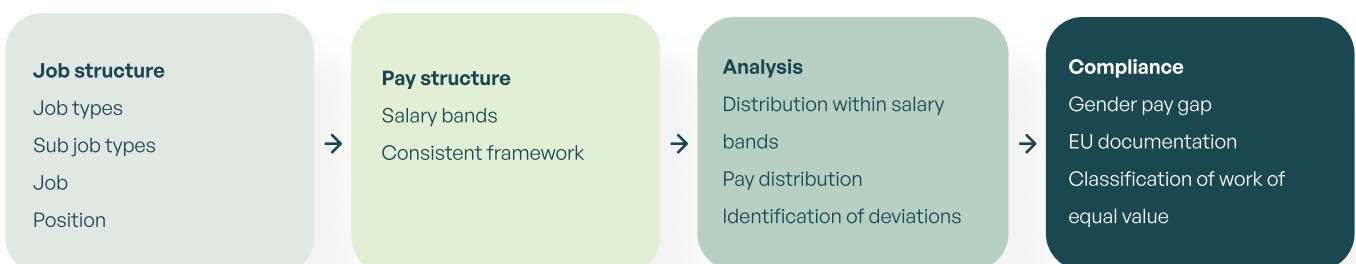
With a well-designed job architecture, pay transparency becomes more than a compliance task - it becomes a practical management tool that creates clarity, fairness, and better dialogue.



## From job structure to analysis and documentation

To compare salaries and explain differences, organisations must first have a clear understanding of roles. Pay transparency requires organisations to demonstrate that employees performing the same or equivalent work are paid fairly. Without structure, there is no real basis for comparison.

When jobs, salary levels, and salary bands are aligned, HR and managers can explain:



## Pay reporting

To comply with EU requirements, organisations must be able to document and explain their pay structure. This requires reliable data and a consistent way of comparing roles across the organisation.

Examples of reporting:

- Gender-disaggregated pay data
- Comparability via job function codes (DISCO)
- Salary levels and salary bands showing structure and progression

### Example: Gender pay data by job and level

If the pay gap exceeds 5%, the organisation must provide a justified explanation.

Jobtype	Sub jobtype	Funktions-kode	Job	Lønniveau	Kvinder (gns. DKK)	Mænd (gns. DKK)	Løngap (%)
IT	Senior Udvikler	2512.20	Udviklings-medarbejder	3	51.000	52.800	3,4%
IT	Senior Udvikler	2512.20	Udviklings-medarbejder	4	64.000	66.500	3,9%
IT	Faglig Lead	1323.10	Produktchef	3	63.000	65.500	3,8 %
IT	Faglig Lead	1323.10	Produktchef	5	106.000	110.500	4,1 %

### Example: Average salary by function code and level

Shows how pay is structured across roles and levels.

Funktions-kode	Jobtype	Sub jobtype	Lønniveau	Antal medarbejdere	Gns løn (DKK)
2512.20	IT	Junior Udvikler	1	12	32.000
2512.20	IT	Junior Udvikler	2	25	40.000
2512.20	IT	Senior Udvikler	3	8	50.000
1323.10	IT	Senior Udvikler	4	10	60.000
1323.10	IT	Faglig Lead	5	3	70.000
1323.10	IT	Faglig Lead	5	3	112.000

## AI in pay transparency

AI is increasingly playing a role in working with pay transparency.

It can serve as a practical support when establishing a clear and consistent job and pay structure. By analysing existing HR data, AI can identify patterns, highlight inconsistencies, and suggest a structured framework for jobs, levels, and salary bands. This reduces the need for manual work and provides a more data-driven starting point for HR.

This makes it easier to get started and build a strong foundation.

## Mindkey can suggest the structure using AI

The integrated AI can suggest:

- Job types, sub-types, and roles
- Salary bands (levels and ranges)
- Job function codes (DISCO)
- Placement of roles and employees

Suggestions can be reviewed, adjusted, and approved. AI helps make the process faster and more manageable.

The screenshot displays the Mindkey Manager Dashboard for Mia Christensen, a Senior Software Developer in IT Development. The dashboard provides a comprehensive overview of her salary in relation to her job level and the salary range of her team (E001's team).

**Pay Range Comparison – by Job**  
 Pay ranges per job level on a shared scale. The average is marked with a line; each dot is an employee. Scoped to E001's team.

Job Title	Pay Range	Average	Count
IT Development Manager	70.000 – 105.000	~85.000	2
IT Infrastructure Manager	70.000 – 105.000	~85.000	2
Finance Director	88.000 – 140.000	~100.000	1
People & Culture Director	88.000 – 140.000	~100.000	1

**Employees** (7 results)  
 Search by name or title...  
 Mia Christensen (IT Development Manager - IT Deve... 87.600)  
 Thomas Berg (IT Infrastructure Manager - IT Infra... 95.000)

**Unadjusted Pay Gap** (Manager)  
 Shows the unadjusted average pay gap between women and men in E001's team.  
 AVERAGE UNADJUSTED PAY GAP: **1.2%**

**Range Coverage** (Manager)  
 Shows the salary range coverage distribution for the team.  
 Coverage: **86%**

**Job Details for Mia Christensen:**  
 Senior Software Developer  
 Leads technical design and mentors junior engineers. Responsible for code quality and cross-team technical alignment.  
 LAST LEVEL CHANGE: 1 Feb 2024  
 TIME AT LEVEL: 1y 2m  
 Description code: 251220 – Rådgivning og programmering inden for softwareudvikling  
 2512 Softwareudvikling  
 251 Udvikling og analyse af software og applikationer  
 25 Arbejde inden for informations- og kommunikationsteknologi  
 2 Arbejde, der forudsætter viden på højt niveau

# Making pay transparency manageable

## Step-by-step

### 1 Create an overview of jobs and roles

Start by ensuring that jobs are not just titles, but clearly defined roles with:

Responsibility

Expectations

Level

This is the foundation for comparing salaries on an objective basis.

### 2 Work with salary bands and frameworks

Very wide salary bands lose their value. When salary bands are clearly linked to jobs and levels, it becomes easier to:

Explain pay differences

Work more consistently with salary development

Create alignment between role and pay

This is the foundation for comparing salaries on an objective basis.

### 3 Use objective and gender-neutral criteria

Define clear criteria for salary determination, for example:

Experience

Impact

Responsibility

Competencies

This is the foundation for comparing salaries on an objective basis.

### 4 Make reporting part of everyday work

Reporting should not be an annual project. When data is already structured, reports and analyses can be generated continuously - without additional administration.

## ***A shared tool***

Pay transparency creates the most value when it is not just an HR tool.

- HR gains better overview and documentation
- Managers get clearer frameworks for pay decisions and dialogue
- Employees can - if the organisation chooses - gain insight into their own positioning and development opportunities

Access is role-based to ensure a balance between transparency and responsibility.

## ***Our approach to pay transparency***

At Mindkey, we view pay transparency as a matter of architecture and data - not as a separate reporting layer.

Our approach is based on:

- Starting from the structure and data organisations already have
- Connecting jobs, roles, levels, and pay more closely
- Making documentation and reporting simple and usable

The solution can be used both in simple setups and in more complex organisations, and can scale with needs and maturity.

## ***Conclusion***

### **Pay transparency is not a goal in itself**

It is a tool for better structure, better decisions, and a more transparent workplace – regardless of regulation. Organisations that work proactively with pay transparency are better positioned in dialogue with employees, managers, and candidates – and are better prepared for upcoming requirements.

### ***Want to learn more?***

Feel free to contact us for an informal conversation about how we can help you get started and build a structure that both meets requirements and works in practice.