Consultation on reform of the equal pay framework views on pay transparency in job advertisements - response from the Competition and Markets Authority

Background

1. The CMA is the UK's principal competition and consumer authority. Our purpose is to promote competition and protect consumers with a clear end goal – to drive economic growth and improve household prosperity.[1] The CMA has a role providing information and advice to government and public authorities,[2] and we have a strategic objective to help government deploy tailored pro-competition interventions to support growth, innovation and investment-related policies.

2. The CMA recognises healthy and competitive labour markets are a powerful driver of economic growth, and high levels of labour mobility act as a cross-economy enabler of innovation and productivity. Reflecting their importance, labour market competition features in a number of areas of CMA work including research, enforcement and guidance, and advocacy and engagement.[3]

3. We welcome the opportunity to respond to the UK government's consultation on reform of the current equal pay framework. This response focuses on the proposed requirement to disclose pay information in job advertisements, where the CMA's expertise in competition and labour-market functioning is particularly relevant. In doing we not provide views on the other proposals in the consultation which sit less directly within our scope of expertise.

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[1] CMA strategy 2026 to 2029.

[2] Under Section 7(1) of the Enterprise Act 2002, the CMA has a function of making proposals, or giving information and advice, ''on matters relating to any of its functions to any Minister of the Crown or other public authority (including proposals, information or advice as to any aspect of the law or a proposed change in the law)''. The CMA's advice and recommendations to government and public authorities are made with a view to ensuring that policy decisions take account of the impacts on competition and consumers.

[3] Our 2024 Competition and market power in UK labour markets report provided first of its kind UK analysis and evidence to advance understanding of a range of issues relating to labour markets. We advocated for restrictions on non-compete clauses earlier this year in a published non-competes working paper response. We have undertaken competition law enforcement against unlawful collusion on rates of pay for freelance workers and published guidance to help businesses stay on the right side of competition law when recruiting workers, and setting pay and other working conditions. Our work on scale-ups and wider engagement with the business community routinely highlights the importance of access to talent as a critical enabler for high-growth firms to succeed.

4. The CMA is broadly supportive of improving pay transparency in recruitment. Well-designed disclosure requirements can reduce information asymmetries and search costs, improve matching between workers and jobs, and strengthen competition between employers for labour. However, the precise design matters: requirements should provide useful information to candidates without unnecessarily disclosing granular information that could reduce competitive uncertainty between employers.

5. We therefore support in principle the proposed requirement for employers to publish pay information in job adverts provided this is carefully designed. We consider that requiring employers to disclose either a binding minimum salary or a pay range with a binding minimum and indicative upper bound may offer the best balance between improving information for jobseekers, promoting competition and preserving scope for individual negotiation.

6. The CMA stands ready to support and advise government as it further develops the details of its measure to require pay information in job adverts. This response:

    - Sets out the relationship between pay transparency, labour market competition and labour mobility;
    - Identifies potential competition risks associated with particular forms of pay information disclosure and provides views on policy design options to mitigate these risks.

CMA views on Pay transparency in job adverts

The importance of labour market mobility to economic growth

7. Efficient allocation and reallocation of labour and capital between firms and sectors is a critical driver of economic growth.[4] When key inputs are allocated to productive firms, or can move from less to more productive firms, average productivity across the economy increases.[5] Labour mobility in particular enables businesses to access and develop the talent they need, supporting greater dynamism and innovation which can generate step-changes in cost efficiency, quality, and the opening of new markets.

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[4] As noted in the government's working paper on reform of non-compete clauses, some studies suggest that around 60% of the fall in trend productivity growth since 2008 can be attributed to reductions in the movement of capital and labour.

[5] Productivity is the major contributor to long run growth in real GDP per capita, and therefore improvements in living standards over time.

8. Competition acts as a spur to the movement of capital and labour by enabling more productive firms to expand their market share at the expense of less productive rivals. An extensive body of evidence demonstrates how these 'between-firm' effects account for a substantial share of productivity impacts from competition.[6] Labour mobility and competition thus work in mutually reinforcing ways to improve productivity and, ultimately, living standards.

9. The CMA therefore believes that reducing frictions on labour mobility should be a priority in the context of the government's efforts to promote economic growth. This is consistent with the CMA's wider work on labour markets, including our February 2026 response supporting restrictions on non-compete clauses.[7] Unnecessary restrictions directly reduce productivity and blunt the effectiveness of other levers (such as promoting competition) that can raise productivity.

Pay transparency in job adverts and labour market mobility

10. While labour mobility can bring benefits to individual workers and the wider economy, workers and firms can face frictions that make it harder for them to identify suitable opportunities and suitable candidates respectively. These include search and information frictions, which can make it more difficult or costly for workers to identify roles that best match their skills, preferences and pay expectations.

11. Greater pay transparency in recruitment could help reduce these information and search frictions and, in turn, support better matching, labour mobility and productivity. The potential mechanism is as follows:

    - Better information can improve job search. Information about prospective pay can help workers identify roles that meet their pay expectations before incurring the time and cost associated with applying. This could enable workers to identify suitable opportunities more quickly and accurately, and could encourage searches or applications that might not otherwise have taken place.

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[6] For more detail see the CMA's 2025 literature review 'Wider Benefits of Competition Policy and Enforcement'. Papers evidencing the impact of competition on productivity through between firm effects include: Syverson (2004), Arnold et al (2011), Harris and Li (2008), Disney, Haskel and Heden (2003), Baldwin and Gu (2006) and Scarpetta et al. (2002).

[7] Our response to the working paper on options for reform of non-compete clauses set out the case for reform to the current legal framework. It drew on our report on competition and market power in UK labour markets, and other evidence on the relationship between non-competes and labour market mobility. It provided views on the options to restrict the use of non-competes and endorsed a ban on non-competes below a salary threshold with a statutory limit on length above the salary threshold as a balanced approach.

- More effective search can improve matching between workers and jobs. Better information can help workers identify roles to which their skills are better matched and for which they may potentially be more productive. Reducing search frictions may also allow successful matches to take place more quickly.

- Improved matching and mobility can strengthen competition for workers. Where workers are better able to identify and move to attractive opportunities, employers may face greater competitive pressure to attract and retain workers.

- This can support productive allocation and reallocation of labour and economic growth. By making it easier for workers to move towards roles and firms where their labour is more productive, greater labour mobility can contribute to more efficient allocation of labour across the economy and, ultimately, higher aggregate productivity.

12. A number of jurisdictions have been introducing measures to require greater salary information in job adverts in various forms.[8] At the EU level, the Pay Transparency Directive has recently come into force requiring employers to share the starting salary or pay range for roles.[9] The primary objectives of such policies often relate to transparency, fairness and reducing pay discrimination.

13. While there has been credible work backing up the above mechanisms,[10] there has been limited empirical research on the impacts of mandatory salary disclosure on competition and productivity. The limited existing evidence does appear to support this link:

    - Evidence from Slovakia suggests starting pay increased across a wide range of industries and occupations following new requirements to publish the basic salary in job postings, suggesting increased competition for

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[8] As of July/August 2025, five OECD countries – Austria, Japan, Latvia, Lithuania and the Slovakia – have a national requirement for private sector employers to disclose the starting salary or salary range of jobs in job advertisements. In the US, requirements have also been introduced on pay transparency at state and local government level, including by California, Colorado, and New York City. Elsewhere, Maryland requires pay to be disclosed for job postings upon request; and laws in Connecticut, Nevada and Rhode Island ensure that compensation levels are disclosed during the hiring process.

[9] New EU rules on pay transparency explained - European Commission - The directive requires employers to inform job seekers about the starting salary or pay range in the vacancy notice or ahead of the interview.

[10] The OECD's 2026 review of pay transparency research suggests pay transparency in recruitment can: support more effective negotiation; improve job sorting by enabling workers to identify and apply for better paying positions; reduce information asymmetries between employers and jobseekers, making it harder for firms to underpay workers who lack knowledge of their market value; and be valuable for workers by allowing candidates to assess financial viability before investing time in applications

workers.[11] Consistent with these findings, studies of similar laws in Austria (requiring a minimum wage offer) and Colorado (requiring wage ranges in job postings) find increased wage levels after these measures came into force.[12]

- Survey evidence points to disclosure of pay in recruitment adverts being valuable in supporting workers' job searches. UK survey evidence consistently identifies that lack of salary information as a barrier to job searches and applications.[13]

- More widely it has been found cross-firm pay transparency measures (such as disclosing pay in recruitment adverts) are more likely to result in pro-competitive effects compared with other pay transparency categories, for example horizontal pay transparency which reveals pay gaps between coworkers.[14]

Designing pay information disclosure to reduce potential risks to competition

14. Pay transparency can have overlaps with existing competition law. The CMA's Guidance on horizontal agreements highlights the exchange of competitively sensitive information between competitors as a type of anti-competitive behaviour.[15] In some (but not all) circumstances, such information may include pay and this has been relevant to some of our competition law enforcement action. The CMA has also produced a guide aimed at helping businesses to avoid breaking the law when working to recruit and retain workers.[16]

15. While a statutory requirement to publish salary information would be distinct from a private exchange of competitively sensitive information between employers, similar economic and competition policy considerations may arise

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[11] Skoda (2022) – from 2018 employers have been required to publish basic pay in job adverts and cannot offer the successful applicant less than the advertised amount.

[12] Frimmel et al. (2022) for Austria finds an increase in female wages where the bargaining power of firms is expected to be low, ie in jobs to be filled urgently. Also Arnold, Quach, and Taska (2022) which finds a 1.3% increase in wages following the measure in Colorado.

[13] Recent UK research by CV-Library (a recruitment website) found that 58% of candidates regarded salary information as essential when deciding whether to apply for a role, with 41% saying they would not apply where salary information was absent. Recent UK research by GI Group (a recruitment website) similarly found that over 30% of UK job seekers are put off applying for jobs with no salary banding shown. While figures vary, other research similarly suggests that lack of salary information can be a significant barrier.

[14] Cullen (2024) 'Is Pay Transparency Good?'

[15] 'Competitors' in this context includes employers competing to employ workers.

[16] CMA, Competing for talent - GOV.UK.

where public disclosures provide competing employers with precise, current and binding information about one another's intended pay offers.

16. The sharing or receipt of competitively sensitive information on rival employers' recruitment and retention strategies can reduce or remove uncertainty as to the operation of the labour market in question, with the result that competition between the employers may be restricted. The information may create mutually consistent expectations and allow the rival employers to reach a common understanding on the terms of coordination which can lead to a collusive outcome on the market. Such a common understanding on their behaviour can arise even without an explicit agreement to coordinate. Furthermore, unilateral public announcements by businesses of competitively sensitive information can in certain circumstances give rise to a risk of coordination.[17]

17. The extent to which the risks of *weakened* incentives to compete are likely materialise will depend on the nature of the salary information employers are required to disclose. The risks are likely to be greater where disclosure facilitates coordination by creating a focal point for salary offers or reduces competitive uncertainty about final salary likely to be agreed between employer and employee.

18. These risks are likely to be greatest where employers must disclose a specific salary. This applies whether the disclosed salary is binding, such that the employer cannot increase it following assessment or negotiation, or non-binding, such that the employer retains flexibility to vary its offer. A specific non-binding disclosure may present a particularly significant focal-point risk, since it increases transparency over employers' stated salary offers while preserving their ability to depart from those offers.[18] A specific binding disclosure, by contrast, eliminates the opportunity for individual salary negotiation and reduces competitive uncertainty about the final salary agreed between employees and employers.

19. We would therefore strongly encourage improving the information available to jobseekers in a way that reduces the risks present in 'specific' salary disclosure. While we would welcome further engagement on the design of this policy, we initially see two options which reduce these risks compared to publishing a specific salary:

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[17] See CMA guidance on horizontal agreements at paragraph 8.63.

[18] See CMA guidance on horizontal agreements at paragraphs 8.63-8.64 which notes an undertaking publicly announcing an intended future course of action may be of greater concern if the announcement does not commit the undertaking in its behaviour.

- **Disclosing a genuine minimum salary**, below which the successful candidate cannot be appointed – this would not limit the employer's ability to offer a higher salary following assessment or negotiation.

- **Disclosing a credible pay band** with a genuine and binding minimum salary and an indicative upper bound. This would provide candidates with the benefit of more information about what an employer may be willing to pay, while retaining scope for the final salary to be negotiated above the minimum. The government would need to consider how to prevent employers undermining the policy objective by using excessively wide pay bands that provide little meaningful information. In line with the risks outlined above, we would propose the bottom of the band should be a binding minimum, while the upper bound should be indicative rather than a binding constraint on the final salary.

20. These options initially appear more likely to balance useful transparency with continued scope for competition and individual negotiation,[19] supporting better matching, labour mobility and competition for workers. The government should test these options further as it develops the policy.

21. A staged implementation or post-implementation review might allow government to identify whether greater transparency is producing better matching and stronger wage competition or whether employers are responding through excessively wide or standardised bands.

22. We have focused our response on those aspects of the proposed pay transparency requirements where competition and labour-market considerations are most directly relevant. We are aware that our views may interact with other parts of the policy design (for example the treatment of bonus pay and in-kind benefits) and we would be happy to provide further support to government on the detailed design of the policy as it refines its plans.

[19] Elsewhere the EU's Pay Transparency Directive adopted a similar approach requiring employers to inform job seekers about the starting salary or pay range in the vacancy notice or ahead of the interview. We note in arriving at this position the EU Commission's impact assessment concluded that the measure would not constrain the negotiating power of either employer or worker.