

European Union: Labour Law to Watch

What's ahead for employers in 2026?

In brief

Employers in the EU face major regulatory changes in 2026, particularly the Pay Transparency Directive which must be implemented by Member States by June. Rules on high-risk AI systems under the AI Act come into effect in August, although these could be postponed in proposals under the digital omnibus package. The Platform Work Directive must be implemented in national legislation by December and revisions to the European Works Council (EWC) framework could prompt early requests for new or revised EWC arrangements. Meanwhile, ongoing efforts to simplify regulation while continuing to protect worker rights mean several EU initiatives will need to be monitored in the year ahead.

Background

Political transition, international conflict, economic volatility, disruptions in global trade, and the rapid advancement of artificial intelligence continue to generate uncertainty across the European Union, reflecting broader global trends.

In response, the EU has intensified its efforts to bolster its global competitiveness, as highlighted in the Mario Draghi Report¹, which called for the EU to balance its well-established social model with a pressing need to accelerate economic growth and innovation. This has led to a recalibration of certain regulatory obligations with several 'omnibus' legislative packages aimed at simplifying business regulation in key areas.

While streamlining of business regulation will continue to evolve over 2026, this is unlikely to be at the expense of core social protections. Safeguarding worker rights remains a political and social priority in the EU with a continued focus on transparency, equity, and sustainability to better protect workers — especially vulnerable groups — and to enhance workers' representation in company decisions.

Key labor law developments on the agenda for 2026

Pay Transparency Directive

Member States must transpose the Pay Transparency Directive into local legislation by 7 June 2026.

Broadly, the Directive introduces measures aimed at making it easier to identify gender pay inequality and enforce the right to equal pay for men and women doing equal work, including work of equal value. Compliance obligations include pre-employment pay transparency requirements, gender pay gap reporting, individual worker rights to pay information and requirements to undertake

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¹ The Draghi report on EU competitiveness

joint pay assessments in co-operation with worker representatives in some cases. Employers should already be in advanced stages of preparation for this landmark legislation. For more details on the Directive see our update [here](#) and for the latest on the Member State local implementation [here](#).

Revisions to the European Works Council Directive

The revisions to the European Works Council Directive include broadening the scope of transnational matters that require consultation with the EWC, introducing a more prescriptive — and potentially longer — consultation process, improving employee representatives' access to justice, expanding the costs that EWCs can claim from management (including the legal costs incurred in bringing claims against management), and increasing the sanctions applied for non-compliance.

Notably, long-standing exemptions from Directive compliance will be removed. Although Member States have until 1 January 2028 to implement the revisions in local legislation, employers should be ready to deal with new requests for EWC arrangements or to renegotiate existing ones in anticipation of the new rights and decide their strategy accordingly. For more details on the changes and how employers can prepare, see our update [here](#).

Artificial Intelligence Act

The AI Act establishes uniform regulations for AI systems across the EU using a risk-based approach. Notably, it classifies AI systems that are used in recruitment, selection, promotion, termination of employment, task allocation, or monitoring performance and behavior as high-risk, which brings specific compliance requirements.

Employers will need to monitor developments with the recently announced digital omnibus package. Proposed measures include temporarily postponing the application of the rules governing high-risk AI systems beyond the August 2026 start date until harmonised standards or guidance from the European Commission are available to help business prepare and adjust. It also proposes replacing most employer AI literacy requirements with EU and Member State funding for competence development. For an overview of the key provisions of the AI Act as they currently apply to employers see our update [here](#).

Platform Work Directive

The Platform Work Directive seeks to enhance platform workers' rights by mandating correct employment classification, promoting fair and transparent algorithmic management, and improving oversight for enforcement. We can expect to see an increasing number of Member States implement the Directive's measures into local law in the coming months given the deadline for doing so is 2 December 2026.

The broad nature of some of the Directive's definitions could lead to differences in scope across Member States; this arguably includes the extent to which organisations beyond those traditionally thought of as operating in the gig economy could potentially be caught by local measures. Differences in approach to determination of employment status are also likely to emerge; it will be up to individual Member States to decide the criteria used to determine sufficient control and direction by a digital labour platform to raise the presumption of an employment relationship.

For more detail on the measures under the Directive see our update [here](#).

Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive (CSRD) requires organisations that are in scope to comply with mandatory sustainability reporting standards. These include various disclosures covering their own workforce and workers in their value chain. The European Commission announced proposals under a sustainability omnibus package to scale back both the number of organisations caught by the obligations under the CSRD and the level of detail required in reporting. Revisions to the CSRD are now close to being finalised with revised thresholds taking a number of organisations out of scope. The proposed streamlined and simplified European Sustainability Reporting Standards (ESRS) were published in early December and a consultation will follow in 2026.

For an overview of how the CSRD currently applies to employers (to the extent that they are in scope) see [here](#) and for the latest on this developing area, see [here](#).

EU initiatives to monitor

Proposed Traineeship Directive

Negotiations on a proposed Traineeship Directive should begin in 2026. Key aspects of the proposed Directive include ensuring trainees receive equal treatment in working conditions unless differences are justified, preventing the use of traineeships as a cover for regular employment, enabling workers' representatives to advocate on behalf of trainees to protect their rights and requiring Member States to provide mechanisms for trainees to report malpractice and poor working conditions.

Quality Jobs Roadmap/Quality Jobs Act

The European Commission recently announced its Quality Jobs Roadmap², its strategy for future-proofing quality jobs in a competitive EU. A first-stage consultation with the social partners on possible areas for EU legislative action under the proposed Quality Jobs Act includes specific regulation on workplace technology, regulation of lengthy sub-contracting chains in certain sectors and updated occupational safety and health requirements more aligned to remote working risks, among others. It is early days on this, however, and the content and significance of the Quality Jobs Act will become clearer over the course of the year with draft legislation not expected until Q4 of 2026.

A new EU standardised legal framework — the 28th regime

Draft legislation laying down a proposed EU corporate legal framework (28th regime) is expected in Q1 2026³. This is a key component of the European Commission's Competitiveness Compass⁴. Broadly, this voluntary scheme refers to the creation of a standardised legal framework (that could include labour law) that would exist alongside the national laws of the 27 EU Member States.

EU wide right to disconnect?

Although several EU member states, including France, Italy, Spain, Belgium, and Portugal, have enacted local legislation regarding the right to disconnect, there is currently no unified regulation or initiative at EU level addressing this right, leading to concerns about inconsistent protection for workers. In 2025 the European Commission concluded second-stage consultation with social partners concerning potential EU action on telework and the right to disconnect. Next steps are unclear, but it's possible there may be more developments on this under the Quality Jobs Roadmap.

Rewrites to the GDPR?

In addition to measures on the AI Act, the recently announced digital omnibus package includes proposals to revise the General Data Protection Regulation. Key employment-related proposals include revising the definition of personal data, introducing a single-entry point for breach notification, expanding reasons to reject data subject access requests (DSARs) where these are unrelated to protection of personal data and clarifying when data protection impact assessments are required.

European Parliament initiatives

The European Commission is responsible for planning, preparing and proposing new EU legislation under its right of initiative; it is effectively the 'gatekeeper' for most new EU legislation. Notwithstanding the Commission's right of initiative, other EU institutions such as the European Parliament, can raise political and practical issues urging the European Commission to act. This can include formal resolutions asking the Commission to propose new legislation. Very broadly, the European Commission must give a reasoned response to the request but is not compelled to act.

In both instances below it's possible that related measures could be included in the proposed Quality Jobs Act (see above) although this will not become clearer until later in 2026.

Regulation of workplace technology

Workplace technology is already regulated by a patchwork of legislation at EU and local level. This includes the General Data Protection Regulation, the AI Act and local legislation implementing directives on information and consultation requirements and transparent working conditions. The Platform Work Directive will also apply in some cases. The European Parliament recently voted to recommend to the European Commission that it propose legislation that is specifically tailored to the impact of technology in the workplace. It suggests that despite existing protections, there is a regulatory gap in addressing the broader impact of digital management tools on workers' rights, working conditions, and social dialogue.

Regulation of subcontracting and labor intermediation

In January 2026, the European Parliament will vote on a proposal to recommend that the European Commission take EU wide action against labour exploitation by focusing on abusive forms of subcontracting and labour intermediation. Measures being considered include a framework directive that limits subcontracting, ensures joint and several liability throughout the subcontracting

² Quality jobs for companies and workers in Europe - Employment, Social Affairs and Inclusion

³ Commission work programme 2026 - European Commission

⁴ Competitiveness compass - European Commission

chain and introduces measures regulating the role and responsibilities of labour intermediaries, other than temporary work agencies.

Key takeaways for employers

1. Prepare for the Pay Transparency Directive in earnest and expect an uptick in activity as regards Member State implementation.
2. Prepare for compliance requirements for high-risk AI systems under the AI Act, while continuing to monitor possible developments under the digital omnibus package.
3. Anticipate and decide strategy on new requests for EWC arrangements or to renegotiate existing ones in advance of new rights under the EWC Directive.
4. Monitor local implementation of the Platform Work Directive.
5. Assess how proposed new thresholds under the CSRD could impact compliance requirements and timelines.
6. Monitor developments on potential regulation of workplace technology and subcontracting chains whether under the Quality Jobs Act or other initiatives.
7. Look out for more details on the 28th regime and the Quality Jobs Framework more generally, as well as possible measures on an EU wide right to disconnect and revisions to the GDPR.

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