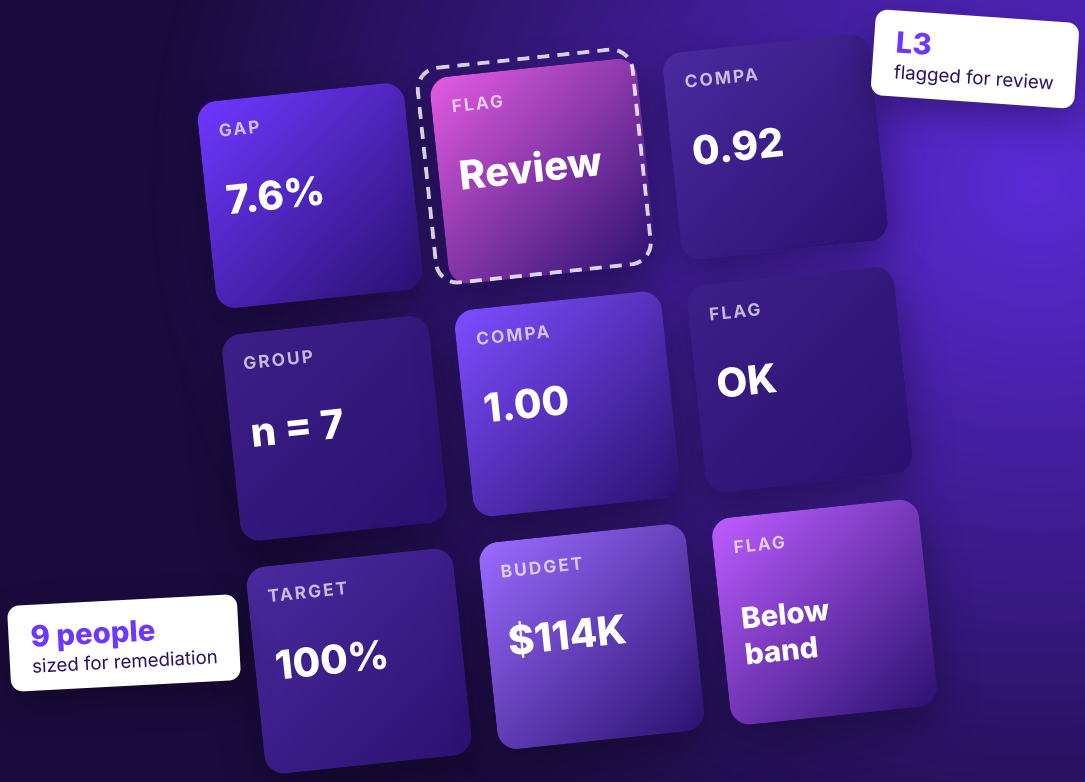
ChartHop

FREE KIT



The People team's toolkit for

Pre-merit pay equity audit

Find, explain and fix pay gaps before merit recommendations go to managers.

01 Six-step checklist

02 Gap analysis workbook

03 Remediation calculator

04 2027 reporting guide

START HERE

Why audit pay before merit?

Run your pay equity audit before merit recommendations go to managers, so you can fix gaps with this cycle's budget instead of explaining them next year. Once increases are approved, every unexplained gap is baked into a higher base and costs more to close.

WHO RUNS IT
A People Ops or Total Rewards lead, with Finance for the budget and legal counsel for review.

WHEN IT HAPPENS
Six to eight weeks before merit opens, once levels, bands and ratings are close to final.

WHY IT MATTERS
Gaps fixed inside the merit cycle cost less, and new reporting rules in the EU and British Columbia put gaps on the record.

> **A flag is a question, not a finding.** This kit helps you find every gap, check it against legitimate pay factors and fix the ones you can't explain, with a written record of each decision.

What's inside

01
Six-step checklist
Every task from data cleanup to the merit cycle, in order, with boxes you can tick in this PDF.

02
Gap analysis workbook
A Google Sheet that calculates raw and adjusted gaps by level, department and demographic group.

03
Remediation calculator
Flags individuals paid below their peers and sizes the budget to fix every gap, by department.

04
2027 reporting guide
What the EU Pay Transparency Directive and British Columbia's Pay Transparency Act require, and when.

Your audit timeline

6 TO 8 WEEKS BEFORE
Scope and data
Set scope, export pay data and clean up levels. Steps 1 and 2.

5 WEEKS BEFORE
Run the analysis
Load the workbook and review group gaps and individual flags. Step 3.

3 TO 4 WEEKS BEFORE
Investigate and fund
Explain or fix every flag and get a remediation budget approved. Steps 4 and 5.

MERIT CYCLE
Apply and document
Load adjustments before merit, recheck and save the record. Step 6.

STEPS 01 TO 02 | PREPARE

Get your data and groups right

Most audits stall on data cleanup, so give these two steps the most time. A miscoded level or a mismatched band shows up later as a pay gap that isn't real.

01 Set scope and get your data ready

- [ ] Decide who's in scope: all active employees, or one country or entity at a time. Exclude interns and contractors, and note any exclusions.
- [ ] Agree on what "pay" means for this audit. Base salary is the minimum; add target bonus and commission if you'll report on total cash.
- [ ] Bring in legal counsel early and decide whether to run the analysis under attorney-client privilege.
- [ ] Export one row per employee: department, level, job family, location, hire date, latest performance rating, base salary and pay band (min, midpoint, max).
- [ ] Pull voluntary self-ID data (gender, race/ethnicity) from your HRIS. Note how many employees declined to answer.
- [ ] Check levels and job families for errors. A miscoded level will show up as a pay gap that isn't real.
- [ ] Convert all salaries to one currency and annualize part-time pay to full-time equivalent.
- [ ] Restrict access to the workbook. It holds salary and demographic data, so share it with the audit team only.

02 Define comparison groups

A pay gap only means something when you compare people doing work of equal value. Your comparison groups decide what the audit can and can't tell you.

- [ ] Group employees by level first. Level is the closest stand-in for work of equal value in most companies.
- [ ] Layer in job family or department where pay markets differ (engineering vs. customer success at the same level, for example).
- [ ] Split by location or pay zone if your bands are geo-adjusted.
- [ ] Set a minimum group size. The workbook defaults to 5; smaller groups produce gaps driven by one or two people.
- [ ] Choose your reference group for each demographic comparison (for example, men as the reference for a gender comparison).
- [ ] Write down which pay factors you consider legitimate (level, location, performance, time in role) and which you don't. You'll need this list in Step 4.

STEP 03 | ANALYZE

Run the analysis

The workbook calculates two kinds of gaps for every group. Read them together: the difference between them tells you what kind of problem you have.

RAW GAP
Compares median base salary between groups. It shows whether one group is paid less overall, including because of who sits in senior roles.

ADJUSTED GAP
Compares median compa-ratio (salary divided by band midpoint). It controls for band, so it shows whether people are paid differently for comparable work.

Compa-ratio = base salary ÷ band midpoint · **Gap** = 1 − (comparison group median ÷ reference group median)

Checklist

- ☐ Make a copy of the workbook and replace the sample rows on the Employee data tab with your export (page 5).
- ☐ On the Inputs tab, set your gap threshold (default 5%), minimum group size (default 5) and the groups you're comparing.
- ☐ Review the Gap analysis tab. A group is flagged when its adjusted gap meets the threshold and both groups meet the minimum size.
- ☐ Review individual flags on the Employee data tab: anyone paid below their band minimum, or with a compa-ratio more than 5 points below their level's median.
- ☐ Fix anyone flagged "Missing pay or band data" and rerun before you trust the results.
- ☐ Compare raw and adjusted gaps using the table below.

Reading your results

RAW GAP	ADJUSTED GAP	WHAT IT USUALLY MEANS	WHERE TO LOOK
Large	**Small**	Representation: the comparison group sits mostly in lower levels or bands	Hiring, promotion and leveling decisions
Small	**Large**	People in the same band are paid differently for comparable work	Starting offers, counteroffers and acquired pay scales
Large	**Large**	Both problems at once	Fix pay for comparable work first, then representation
Small	**Small**	No group pattern at your threshold	Still review every individual flag

> Both kinds of gap matter, and they need different fixes. Remediation budgets close adjusted gaps; representation gaps close through hiring, promotion and leveling.

TOOL 02 | GAP ANALYSIS WORKBOOK

Using the workbook

The workbook does the math for Steps 3 and 5. It comes loaded with 58 fictional employees so you can see how every tab works before you add your own data.

Make a copy of the workbook →

Opens in Google Sheets and saves a private copy to your own Drive.

Tab by tab

TAB	WHAT IT DOES	WHAT YOU DO
Inputs	Holds every setting the other tabs use: gap threshold, minimum group size, individual flag level, remediation target, budget and the groups you're comparing.	Change the yellow cells. Pick groups from the dropdowns.
Employee data	One row per employee. Calculates compa-ratio, position in range, level median and a review flag for each person.	Paste your export into columns A to M. Columns N to S calculate on their own.
Gap analysis	Raw and adjusted gaps by level and department for gender, and by level for race/ethnicity. Flags each group Review, OK or Group too small.	Investigate every Review flag in Step 4.
Remediation	Total cost to fix every flag, cost as a share of payroll, cost by department and the full list of flagged employees.	Compare cost to your approved budget in Step 5.

Default settings

5%
Adjusted gap that flags a group for review

5
Minimum people in each group before a gap is flagged

5 pts
Compa-ratio below level median that flags an individual

100%
Remediation target, as a share of the level median compa-ratio

Individual flags

BELOW BAND MIN
Paid below the minimum of their pay band. Proposed adjustment brings them to at least the minimum.

BELOW LEVEL PEERS
Compa-ratio 5 or more points below the median for their level. Proposed adjustment brings them to the target.

MISSING PAY OR BAND DATA
Salary, band minimum or midpoint is blank. Fix the data; no adjustment is proposed.

STEP 04 | INVESTIGATE

Investigate flagged gaps

For each flagged group and individual, decide whether a legitimate factor explains the gap or whether it needs a fix. Write the reason down either way.

Checklist

- [ ] Check each flag against the legitimate factors you listed in Step 2: performance, time in role, location, a recent promotion.
- [ ] Look for a pattern behind individual flags. Gaps often trace back to starting offers, counteroffers, or acquisitions that came in on a different pay scale.
- [ ] Talk to the HRBP or manager for context on any flag you can't explain from the data.
- [ ] Record a short written reason for every flag: explained (and why) or needs remediation.
- [ ] Treat any gap you can't explain with a documented, job-related reason as one to fix.

Flag log

Type directly into this table, or copy it into your audit file.

GROUP OR EMPLOYEE	FLAG	LEGITIMATE FACTOR (IF ANY)	DECISION	OWNER

Common legitimate factors: a documented performance difference, time in role, a geo-adjusted pay zone, a promotion in the last six months. **Not legitimate on their own:** prior salary, negotiation, "market at the time of hire" with no current evidence.

STEPS 05 TO 06 | FIX

Fund the fixes and build them into merit

Ask Finance for a remediation budget that sits apart from the merit pool. If equity fixes come out of merit, managers end up taking increases from one person to fix another's pay.

05 Size and fund remediation

- [ ] Use the Remediation tab to see the cost of bringing every flagged employee to their band minimum or to the median compa-ratio for their level.
- [ ] Adjust the remediation target on the Inputs tab if you plan to close gaps over two cycles instead of one.
- [ ] Check total cost as a percentage of payroll and by department, so each leader knows what's coming.
- [ ] Enter the approved remediation budget on the Inputs tab and confirm the plan fits inside it.
- [ ] Get sign-off from Finance and the executive sponsor before merit planning opens.

06 Build fixes into the merit cycle and document everything

Apply equity adjustments before merit increases are calculated, so merit percentages apply to the corrected base.

- [ ] Load approved equity adjustments as a separate line item in your comp cycle, apart from merit.
- [ ] Brief managers on any adjustments on their team and how to talk about them.
- [ ] Rerun the workbook on the proposed post-merit salaries before approvals close. Merit increases can reopen a gap you just fixed.
- [ ] Save a dated copy of the final workbook, your Step 4 flag log and the approved remediation list.
- [ ] Put the next audit on the calendar. Most teams audit once a year before merit, with a lighter check after each promotion cycle.

> **Order matters.** Equity adjustment first, merit increase second. A 4% merit increase on a corrected base keeps the gap closed; the same 4% on the old base carries the gap into next year.

Why the timing matters in 2027

If you have employees in the EU or British Columbia, pay gap reporting is moving from good practice to a requirement. An audit you run now is the dataset you'll report from.

JURISDICTION	WHO'S COVERED	WHAT'S REQUIRED	TIMING
EU Pay Transparency Directive	250+ workers	Annual gender pay gap report	First report due June 7, 2027, covering 2026
EU Pay Transparency Directive	150 to 249 workers	Gender pay gap report every three years	From June 7, 2027
EU Pay Transparency Directive	100 to 149 workers	Gender pay gap report every three years	From June 7, 2031
EU Pay Transparency Directive	Reporting employers	Joint pay assessment with worker representatives when a gap of 5% or more in a category of workers isn't justified by objective, gender-neutral factors	Follows the report
British Columbia Pay Transparency Act	50+ employees in BC	Annual pay transparency report, posted publicly	By November 1 each year; 50+ tier applies from November 1, 2026

EU MEMBER STATES

The directive's transposition deadline was June 7, 2026, and only a handful of member states had passed national laws by then. Member states can set stricter thresholds, so check each country where you have people.

UNITED STATES

A growing number of states require salary ranges in job postings, and some require pay data reporting. Check the rules in every state where you hire.

> The workbook's default 5% threshold matches the EU directive's trigger for a joint pay assessment, so a "Review" flag tells you where an EU assessment could apply.

This is a summary, not legal advice. Confirm what applies to you with counsel.
Sources: Remote Work Europe, "EU pay transparency: post-deadline state of play," June 12, 2026; Government of British Columbia, "Pay transparency."

ChartHop

RUN IT IN CHARTHOP

Run your next audit without the export

The workbook gets you through this cycle. ChartHop Compensation keeps salary, bands, performance ratings and org data in one place, so your pay equity view is always current and equity fixes happen inside the comp cycle.

- Run merit, promotion and equity cycles on live pay band, performance and budget data
- Let AI flag outliers and pay equity gaps, and model the budget impact of adjustments
- Give managers pay, performance and budget in the same view where they decide
- Keep a full audit trail of every equity adjustment and approval

Book a demo