

GLOSSARY OF TERMS

Across-the-Board Increase: An identical pay increase (in cents, dollars, or as a percentage) given to every employee in the entire organization or a specified group of employees. Sometimes known as a general increase.

Benchmark: A standard with characteristics so detailed that other classifications can be compared as being above, below, or comparable to it. In compensation administration, benchmark most frequently refers to a job, or group of jobs, used for making pay comparisons either within the organization or to comparable jobs outside the organization.
Bonuses: Extra cash compensation based on performance.

Class Positions: A group of positions that are alike enough in duties and responsibilities to be called by the same descriptive title, to be given the same pay grade under similar conditions, and to require substantially the same qualifications.

Classification: A hierarchical structure of jobs, usually managed into classes or pay grades according to some form of job evaluation.

Compa-Ratio: The ratio of an actual pay rate (numerator) to the midpoint for the respective pay grade (denominator). Compa-ratios are used primarily to compare an individual's actual rate of pay to the midpoint or some other control point of the structure. It is most frequently used as an index of a person's relationship to the structure.

Compensable Factor: Any factor used to provide a basis for judging job value in a job evaluation scheme. The most commonly employed compensable factors include responsibility, skill required, effort required, and working conditions.

Compensation Plan: The series of pay levels, market ranges, and

median zones within which all job classifications are assigned for purposes of salary administration. The compensation plan recognizes internal job relationships and market pay differences among job classifications.

Compression: A narrowing of the pay differentials for jobs having different responsibility and skill requirements. Compression may apply to either actual pay or pay ranges.

Demotion: Movement to a position within a lower salary grade of an employee's current salary grade.

Downgrading: The movement of a job to a lower level in a job evaluation system or to a lower pay grade.

Exempt: The classification of a position which is exempt from overtime pay entitlement due to various aspects of the position, based on rules defined by the Fair Labor Standards Act (FLSA).

External Equity: A fairness criterion that directs an employer to pay a wage that corresponds to rates prevailing in external markets for an employee's occupation.

Fair Labor Standards Act (FLSA): A federal law that sets the minimum wage as well as other work rules, and guarantees overtime pay for work beyond 40 hours a week. The law includes specific "tests" to determine whether a job will be covered by the law (non-exempt) or not covered (exempt).

Full-Time: Employee scheduled to work a minimum of thirty (30) hours per week during a normal forty (40) hour work week.

Hourly Employee: An employee who is paid an hour wage for hours worked.

Hybrid Job: A job that features a combination of responsibilities from multiple positions.

Incumbent: The employee in a given position, or the candidate considered for a position.

Individual Pay Rate: The rate of pay assigned to a given individual. Individual pay rates may vary on the same job as a function of time in grade, performance, or some other basis for establishing variation in employee merit.

Interim: An employee appointed to a vacancy while the selection process takes place or to fill in for an employee on an approved leave.

Internal Equity: Fairness of pay across positions within the organization or within a department/function, where pay variations are appropriately aligned with factors such as job level, responsibility, and performance.

Inversion: refers to situations in which the starting salaries for new recruits to an organization are higher or increasing faster than those for existing employees. It typically happens in areas where the demand for suitably qualified professionals exceeds the supply of such professionals in the market.

Job: A homogeneous cluster of work tasks, the completion of which serves an enduring purpose for the organization. Taken as a whole, the collection of tasks, duties, and responsibilities constitutes the assignment for one or more individuals whose work is of the same nature and which is performed at the same skill/responsibility level. (A position is that collection of tasks assigned to a specific individual.)

Job Analysis: A systematic process gathering information about the tasks making up a job, employee skills required to do a job, time factors, situation factors such as technology use, physical aspects, information flows, interpersonal and group interactions, and historical traditions

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associated with the job. Job analysis provides the information needed to define jobs and conduct job evaluation.

Job Description: A written summary of the most essential functions of a job including the general nature of the work performed, specific task responsibilities, and employee characteristics (including skills) required to perform the job. A job description should describe and focus on the job itself and not any specific individual who might fill the job.

Job Evaluation: A formal process by which management determines the relative value to be placed on various jobs within the organization. The end result of job evaluation consists of an assignment of jobs to a hierarchy of pay grades or some other hierarchical index of job value. Job evaluation is most closely associated with the criterion of internal equity.

Job Pricing: The practice of establishing wage rates for jobs within the organization, usually combining judgments regarding market value and internal job evaluation results.

Job Title: A label for a job that may or may not accurately reflect the actual content of the job and, therefore, should not be used as a basis for making any compensation decisions.

Lateral Assignment: Movement to a position within the same salary grade of the employee's current salary grade.

Merit Increase: An adjustment to individual salary based on performance or some other individual equity basis.

Midpoint: The value that is equidistant from the minimum and maximum rates of a pay range.

Moratorium: A temporary prohibition of an activity.

Non-exempt: The classification of a position which is entitled to overtime pay at 1.5 times their regular base pay, based on rules defined by the Fair

Labor Standards Act (FLSA).

Overtime: Pay at the rate of one and one-half for all hours worked above 40 in a work week.

Part-Time: Employee scheduled to work less than thirty (30) hours per week during a normal forty (40) hour work week.

Pay: Wages or salaries received in return for work performed or services rendered.

Pay Grade: One of the classes, levels, or groups into which jobs of the same or similar value are grouped for compensation purposes. All jobs in a pay grade have the same pay range: minimum, midpoint and maxima.

Pay Grade Range: The range of pay rates from minimum to maximum set for a pay grade. Used as a policy for setting individual employee pay or salary rates.

Pay Survey: The gathering of data on wages and salaries paid by other employers for selected key classes of jobs or benchmark jobs.

Percentile: A measure of location in a distribution of numbers that defines the value below which a given percentage of the data falls. For example, the 90th percentile is that value that 90 percent of the data is less than.

Performance Appraisal: Any system of determining how well an individual employee has performed during a period of time. Frequently used as a basis for determining merit increases.

Permanent Employee: Employee whose services are not for a specified and limited duration. A permanent employee may work either full or par-time.

Philosophy: Principles used as guides in a business undertaking.

Promotion: The assignment of an employee to a job in a higher job classification or pay grade than the employee's current job.

Promotion Increase: An increase in a salary or wage rate due to a promotion to a higher level job.

Quartile: A special type of percentile defining the values that break a set of numbers into 4 equal parts. The third quartile is the 75th percentile, that is, the value below which 75 percent of the data falls. The second quartile, also known as the median or 50th percentile, is that value below which 50 percent of the data falls in a distribution. The first quartile or 25th percentile is that value below which 25 percent of the data falls. See Percentile.

Reassignment: Movement to a different position in the same role or salary grade.

Reclassification: Substantial changes in the primary duties and responsibilities of a job due to changes in the organization (more than 25% of the primary duties and responsibilities).

Red Circle: The act of temporarily freezing an incumbent's pay, most commonly to avoid increases above the pay range maximum.

Responsibility: The obligation on the part of an employee to perform the tasks and duties expected by the employer.

Salaried Employee: An employee who is paid a fixed salary.

Salary: Compensation paid by the week, month, or year (rather than by the hour). Generally, applies to non-production, non-routine or supervisory jobs exempt from the provisions of the Fair Labor Standards Act.

Salary Structure: A series of pay grades and associated salary ranges used to manage compensation across departments and job levels.

Salary Surveys: Published third party surveys that provide salary information for a peer group based on parameters such as industry, geographical location or job category. **Salary Structure:** The structure of pay grades and ranges established for jobs within an organization. It may be expressed in terms of pay grades or job evaluation points.

Seniority: Length of time an employee has worked for a given employer. Rights and privileges are often accorded to employees over other employees according to seniority. May also be used to record time worked for a division or group, or

in a specific occupation.

KSA's: Knowledge, Skills and Abilities.

Skill: An aptitude or work behavior gained through experience.

Substitute Employee: An employee who works on a call-in basis to fill in for an employee who is out on a day-to-day or short-term basis, or until a permanent employee can be secured.

Task: An element constituting a distinct activity that makes up the logical and necessary steps in the performance of work by an employee.

Temporary Employee: An employee whose services are for a specified and limited duration. (i.e., for a finite period

of time). A temporary employee may work either full or part-time.

Transfer/Lateral Move: The movement of an employee to a job that is assigned to the same salary grade as the employee's current job.

Upgrading: The advancement of a job to a higher classification.

Wage Rate: The money paid to an employee expressed dollars and cents per hour.

Working Conditions: The surroundings or environment in which work is performed.