

Glossary of Key Compensation Terms

Benchmark Job: A benchmark job is a job whose duties are well understood and for which market pay information is readily available from published salary surveys. It is a “standard” job that is similar across organizations and typically has many incumbents. Benchmark jobs can be used for making pay comparisons either within the organization or to comparable jobs outside the organization.

Breadth of Experience: Candidate has demonstrated flexibility and the ability to apply principles to many different situations.

Compa-Ratio: The ratio of FTE base salary to the pay range midpoint. Calculate by dividing the salary by the midpoint of the salary range. A ratio equal to 1.00 means an employee’s base pay is equal to the pay range midpoint. Formula: $(\text{Base Salary}/\text{Midpoint}) = \text{Compa-Ratio}$

Compensation Surveys: These are salary, pay practice, and trends surveys conducted by third-party professional organizations. These surveys adhere strictly with safe harbor guidelines in order to avoid antitrust violations which may be viewed by the federal government as price fixing.

Exempt: A term referring to employees who are not eligible for the overtime provisions of the Fair Labor Standards Act (FLSA). This is specific to the US.

Depth of Experience: Candidate with depth of experience has much of their experience which is out of date. Also, they have usually not experienced different work environments and may have difficulty in adjusting.

‘Governance of company’s resources’: Refers to helping to uphold the fiduciary responsibility of the organization.

Hours Worked: Compensable work time defined under the Fair Labor Standards Act for overtime eligible employees. The company is required to pay overtime eligible employees for all time worked.

Internal Equity: Pay levels of the existing workforce, especially for peers holding the same global career level and same job code/job title within same management hierarchy. A measure used to determine fairness in pay amongst employees.

Equity: Stock, which includes Restricted Stock Units (RSU) and Options.

External Equity: Measure of employer pay as compared to external market rates.

Job Analysis: The process for identifying the roles, responsibilities, competencies and requirements to successfully perform a job.

Job Evaluation/Classification: The process for assigning a role, level, and salary range to a job and for assessing the FLSA status for a job.

Market: Identified and defined by a combination of factors, e.g., geography (local, regional, and national, international), industry, and organization size. It reflects the environment that an organization competes with for qualified staff.

Market Reference Point: As reported in salary surveys, the average median salary paid for similar jobs in the marketplace.

Non-exempt: Employees who are deemed to be non-exempt (overtime eligible) do not meet the salary basis and duties tests of the Fair Labor Standards Act (FLSA). Overtime eligible employees must be paid for all hours worked and must be compensated for working overtime. This is specific to the US.

On Call Pay (Standby): This is compensation made to hourly staff for being available to report to work when required by business operations and in accordance with Wage & Hour laws.

Pay Compression: A salary situation that occurs when pay differentials are too small to be considered equitable. Term may apply in one of the following scenarios: (1) pay of supervisors and subordinates, (2) pay of experienced and newly hired employees in the same job, (3) pay of top performers and average performers, and (4) pay of employees of comparable contribution and value.

Pay Equity: Employees are paid equally for equal work done, without regard for race or gender.

Reasonable: As it relates to pay fairness; “Can you logically justify the position of pay within the salary range and amongst the peers as equitable?”

Relevant Experience: Relates to the significance, importance, and applicability of the experience to the job. Assessment of the relevance of the candidate’s experience is a combination of both an interpretation of the documented experience and an understanding of the key elements of the job to be performed. Sources include: paid and unpaid work experience, military service, and other sources that increase pertinent skill levels and competencies that result in added-value.

Recency: How up to date is the experience as it relates to changes in processes and technology. Extensive experience in a stable industry may all be credited towards the overall experience requirement. However, experience in an industry that has gone through more changes over time will not be considered 1:1 experience but rather will need to be discounted to reflect a more appropriate sum of total experience.

Role: Reflects the context within which the job operates and the nature of the work performed.

Salary Range: The range of salaries, typically includes minimum, midpoint, and maximum. It is assigned to a group of jobs that have similar pay rates in the market.