

## DEFINITIONS

**Nonexempt, Hourly Nonunion:** Refers to any non-union employees, paid on an hourly basis, who are eligible for overtime pay under the Fair Labor Standards Act.

**Nonexempt, Salaried:** Refers to any non-union employees, who are eligible for overtime pay under the Fair Labor Standards Act. These employees are paid by the week, month, or year versus an hourly wage, but who may still be eligible for overtime.

**Exempt, Salaried:** Refers to salaried employees except officers/executives not subject to the overtime pay provisions of the Fair Labor Standards Act.

**Officer/Executive:** Refers to top or senior management.

**Merit Budget Increases:** The amount established as a percent of payroll awarded to employees on an individual performance basis. The percentage is calculated as the sum of all merit increases granted or scheduled in the year divided by the total salaries of all eligible employees, including those who will not receive increases.

**General Budget Increase:** Any across-the-board increases granted to all employees within a group and given without consideration to performance. The percentage is calculated as the sum of all general increases granted or scheduled in the year divided by the total salaries of all eligible employees, including those who will not receive increases.

**Other Increases:** Any market, equity, "hot skills," or etc. adjustment not covered by a merit increase that is budgeted separately for. This does not include amounts budgeted for promotional increases.

**Traditional Salary Structure:** A formal pay structure that includes minimums, midpoints and maximums and usually has a percent range spread (40-80%).

**Broadbanding:** A pay structure consisting of a few (4 to 8) pay grades or bands with each band having a relatively wide range.

**Step Progression:** Standard progression pay rates that are established within a pay range. Step rates usually are a function of time in grade and often are referred to as automatic. However, they also can be variable or can be used in conjunction with merit programs.

**Point Factor System:** A quantitative form of job content evaluation that uses defined factors and degree levels within each factor (usually five to seven levels, which are also defined). Each factor is weighted according to its importance (to the organization).

**Individual Incentives:** Incentives compensation that is tied directly to objective measures of individual performance.

**Gainsharing:** Any method of wage payment in which the worker participates in all or a portion of the added earnings that result from his or her improved performance.

**Profit Sharing:** A method of compensation to employee based on the profit realized from the organization.

**Team-Based Incentives:** An incentive plan restricted to team members with payout usually based on improvements in performance or other factor attributable to the team.

**Annual Bonus:** A lump-sum bonus payment made in addition to an employee's regular salary or wage.