

HMS 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 or internal to Harvard comparisons. It is a “standard” job that is similar across schools at Harvard and typically has many incumbents. Benchmark jobs can be used for making pay comparisons either within FAS or to comparable jobs outside of FAS within Harvard.

Compa-Ratio: The ratio of between current pay to the salary range midpoint assigned to the job. The compa-ratio tells a manager how the salary compares to the midpoint of the employee’s salary range and can be used for comparison over time or between other employees in other salary grades.

Compensation Philosophy: A set of principles that guide the design and administration of a compensation system that supports the mission and business plan of the organization.

Exempt: A term referring to employees who are exempt from the overtime provisions of the Fair Labor Standards Act (FLSA).

External Equity Adjustment: Pay action that is taken to correct a salary inequity among employees in the same job based on external market data and competitiveness.

FLSA (Fair Labor Standards Act): Federal law which prohibits oppressive child labor and establishes a minimum hourly wage and premium overtime pay for hours in excess of a specific level (now time and one-half after 40 hours per week).

Internal Equity: Refers to the pay relationship among jobs internal to the organization.

Internal Equity Adjustment: Pay action that is taken to correct a salary inequity among employees in the same job with comparable qualifications and performance levels.

Job Code: The specific benchmark job title assigned to a specific set of duties and responsibilities.

Job Evaluation/Classification: The formal process for classifying an individual job into a single job code.

Labor Market: The specific market in which individuals compete for jobs and employers compete for employees. A labor market is defined by a combination of factors, such as geography (local, regional, national, international), industry, and organization size.

Merit Increase: Pay adjustment that is taken based on assessed employee performance.

Midpoint: The median (middle point) of a given salary grade.

Non-exempt: Employees who are deemed to be non-exempt do not meet the salary basis and duties tests of the Fair Labor Standards Act (FLSA). Non-exempt employees must be paid for all hours worked and must be compensated for working overtime. They must be paid no less than the federal and state minimum wage and must abide by certain time recordkeeping regulations.

Overtime Pay: Pay received by employees for being ready to report to work, if necessary. Employees receiving on call pay usually are required to be readily available by phone or pager, within a reasonable distance from the workplace, and able to report to work promptly.

Pay for Performance: Paying employees differently based on their different levels of performance and contribution to the organization.

Salary Compression: A salary situation that occurs when differences in pay are too small to be considered equitable. May apply to differences between: pay of manager and direct report(s), pay of experienced and newly hired employees in the same job, or pay of exempt and non-exempt employees in the same salary grades (due to differences in merit increases and union increases).

Premium Overtime (FLSA): The additional pay earned by a non-exempt employee when he/she works additional hours that exceed 40 hours worked in a workweek. FLSA premium overtime is paid at the FLSA premium rate which is 1.5 times the employee's "regular rate" of pay.

Progression Increase: A union-negotiated increase given to every eligible union employee on the contractually agreed upon date. The last several HUCTW progression increases have been specific dollar amounts given to all active HUCTW employees in good standing with at least 12 months of benefits-eligible service as of the contractually agreed upon date.

Reclassification: Changing the job classification of a position to another job classification.

Salary Grade: The salary level assigned to a group of jobs. Harvard's central compensation office assigns salary grades based on salary survey data.

Salary Range: The range of salaries, from minimum to maximum, that is assigned to a salary grade. Just as with salary grade, salary ranges are created by Harvard's central compensation office based on salary survey data.

Salary Survey: The systematic gathering of data on wages and salaries paid by other employers for benchmark jobs.

Structure Increase: A union-negotiated increase given to every eligible union employee on the contractually agreed upon date. The last several HUCTW structure increases have been a given percentage increase to all active HUCTW employees on the contractually agreed upon date.

Total Compensation: The total value of all pay, benefits, services, work/life supports, and professional development opportunities provided by an employer to an employee.