

Glossary of Compensation Terms

Base Pay—Fixed compensation paid for performing standard job duties. Base pay is usually expressed in annual, monthly, or hourly rates.

Benchmark Job—A job that has consistent qualifications and duties comparable to the same or similar jobs in other comparable employers or outside organizations.

Compensable Job Factor—Criterion used to compare job duties in a job evaluation plan. The most common compensable factors include the skill, effort, responsibility, and working conditions required in the job.

Control Points—The minimum, midpoint, and maximum values set within a pay range to control and link pay to job value.

Equity Adjustment—A special pay increase granted, in addition to a general pay increase, to correct or improve an identified inequity in pay.

Exempt—A term that refers to jobs that are exempt from the overtime requirements of the Fair Labor Standards Act (FLSA). These jobs meet specific duty criteria for an administrative, executive, professional, or computer professional and are not entitled to overtime pay or compensatory time.

External Pay Equity—A measure of the relationship of an organization's pay relative to what other employers pay for the same job.

General Pay Increase—A pay increase given “across the board” to all or to a general category of employees without variation for individual performance.

Green Circle Rate—An individual pay rate that is below the minimum of the assigned pay range.

Incentive Pay Plans—Pay plans that are designed to reward accomplishment of specified goals and/or defined outcomes.

Incentives—Fixed amounts, typically paid in lump sums, to reward accomplishment of goals and/or outcomes.

Internal Pay Equity—The relationship of jobs and job incumbents within an organization based on relative value.

Job Analysis—The process of identifying and defining the required level of knowledge, skills, and abilities required to perform a job.

Job Description—Summary of the most important tasks, qualifications necessary, characteristics, and working conditions of each job.

Job Evaluation—A method by which management determines the relative value of various jobs within the organization. The end result of job evaluation is the assignment of jobs to a hierarchy of pay grade levels.

Job Family—Jobs involving work of the same nature but requiring different skill and responsibility levels.

Job Market Pricing—The process of identifying competitive job markets, obtaining data from salary surveys, selecting benchmark jobs, and analyzing and summarizing market pay data.

Market Comparison—The ratio of pay for a job compared to pay for the same job in the external job market.

Maximum Pay Rate—The highest pay value in a pay range.

Median—The middle value of a set of data. Half the data is greater than the median value and the other half is less than the median value.

Merit Increase—Pay increase awarded to an employee based on their performance. Also referred to as pay-for-performance.

Midpoint Rate—The control point in a pay range that is halfway between the minimum and maximum points. The midpoint rate is the competitive control point representing the desired target rate of pay for experienced and competent job incumbents.

Minimum Pay Rate—The lowest pay value in a pay range.

Nonexempt—A term that refers to jobs that are subject to the minimum hourly pay and overtime requirements of the Fair Labor Standards Act (FLSA).

Pay Grade—One of the levels or groups into which jobs of the same or similar value are grouped for compensation purposes.

Pay Range—The range of pay from minimum to maximum, established for a pay grade. Used as a guideline for setting and controlling individual pay rates.

Pay Structure—Hierarchy of pay grades and pay ranges that form the underlying framework of the pay system. The pay structure controls employee pay and links pay to the value of each job in the organization.

Range Offset—An equal percentage above and below the midpoint of a pay range that is used to set the minimum and maximum control points.

Range Progression—The amount of increase between successive pay ranges in a pay structure, expressed as the percent difference between midpoints.

Range Spread—The percent of variance between the minimum and maximum control points in a pay range.

Reclassification—The reassignment of a position to a different pay grade in the pay structure hierarchy.

Red Circle Rate—An individual pay rate that is above the maximum of the assigned pay range.

Stipend—A fixed amount added to base pay to compensate employees for extra duties or special credentials.

Structure Adjustment—Increasing the control points of a salary structure to maintain its economic and competitive value.

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