

Glossary of Compensation Terms



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Preface

Individuals interested in employee compensation are likely to encounter the terms listed in this glossary. Definitions are brief and may not reflect all usage. Some terms have a specific legal meaning, either through legislative enactment or judicial interpretations, which may differ from the usual definition. Readers who need more precise meanings for these terms should consult standard textbooks or legal reference materials available at bookstores and libraries. This glossary also provides examples of how some of the terms are used in National Compensation Survey publications; the terms may be used differently in other Bureau of Labor Statistics programs.

The Bureau's new National Compensation Survey will integrate three major programs—The Employment Cost Index, the Occupational Compensation Survey program, and the Employee Benefits Survey—into one comprehensive compensation program by the end of this decade. The NCS program will produce information on the Employment Cost Index, employer costs for employee compensation, occupational wage levels, and the incidence of and provisions in employee benefit plans.

This glossary is based in part on an earlier one, *Glossary of Current Industrial Relations and Wage Terms* (BLS Bulletin 1438, 1965). Richard K. Yeast, an economist in the Division of Compensation Data Analysis and Planning, prepared this report. Kenneth J. Hoffmann, an economist in the same division, assisted in the preparation. Leon Lunden, formerly with the same division, was the original coordinator of the project.

The Bureau of Labor Statistics welcomes comments on the usefulness of the glossary and the adequacy of its definitions. Please send any comments to the Division of Compensation Data Analysis and Planning, Room 4175, 2 Massachusetts Ave., NE, Washington, DC 20212. E-mail address: oclinfo@bls.gov

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**ACCIDENTAL DEATH AND DISMEMBERMENT (AD&D)
INSURANCE**

Insurance that provides payment for accidental loss of life, limb, hearing, or sight. Insurance usually covers both occupational and nonoccupational deaths and injuries, but coverage may be limited to one or the other. Double indemnity provisions of life insurance plans are considered to be AD&D if they provide benefits for both accidental death and dismemberment.

ACCRUAL LEAVE PLANS

Employees earn a specified number of vacation hours or sick leave hours each pay period. For example, new Federal government employees earn 4 hours of vacation leave and 4 hours of sick leave each pay period.

ACROSS-THE-BOARD WAGE CHANGE

A general wage change affecting all or most employees in a plant, company, or industry, because of a cents-per-hour or percentage increase or decrease.

ADMINISTRATIVE SERVICES ONLY (ASO) PLAN

An employees benefit plan that is administered by an insurance company or other third party. The employer is entirely at risk for paying employee claims.

ADOPTION ASSISTANCE

Financial aid given to employees for the purpose of covering all or part of the cost of adoption.

ADOPTION LEAVE

Excused leave accorded to employees for attending legal proceedings leading to adoption and also, like maternity or paternity leave, for a period of time after adoption of a child. (See Family and Medical Leave Act of 1993 (FMLA).

**AFL-CIO (AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS)**

Federation of over 70 autonomous national and international

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unions created by the merger of the American Federation of Labor (AFL) and the Congress of Industrial Organizations (CIO) in December 1955. The initials AFL-CIO after the name of a union indicate that the union is an affiliate.

AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967 (ADEA)

Federal law prohibiting bias against older workers in hiring, discharge, compensation, or other terms, conditions or privileges of employment. Applies to workers aged 40 or older working for firms of 20 employees or more. (See Older Workers Benefit Protection Act of 1990.)

AGENCY SHOP (see Union Security)

AGREEMENT (COLLECTIVE BARGAINING AGREEMENT, UNION CONTRACT)

Written contract between an employer (or an association of employers) and a union (or unions), usually for a specified term, defining conditions of employment (wages, hours, vacations, holidays, overtime payments, working conditions, etc.); detailing rights of workers, the union, and management; and describing procedures to be followed in settling disputes or handling issues that arise during the life of the contract.

AMERICANS WITH DISABILITIES ACT OF 1990 (ADA)

Federal law barring discrimination against qualified individuals who have disabilities in job application procedures, hiring, firing, advancement, compensation, benefits, job training, and other terms, conditions and privileges of employment. The law also requires reasonable accommodation to the employee's disabling condition. Rehabilitation Act (Section 503)-Bars discrimination and requires reasonable accommodations by Federal contractors and subcontractors. (See Equal Employment Opportunity Commission.)

ANNIVERSARY YEAR VACATION PLAN

Time-based vacation plan offering additional vacation time to employees on certain "anniversary years." For example,

employees receive an extra week of vacation at 10 or 20 years of service (but not during intervening years).

ANNUITY

A form of distribution from a retirement plan providing periodic payments. Straight-life annuities provide payments, usually monthly, for the lifetime of a retiree. Joint-and-survivor annuities provide payments to a retiree, and upon the retiree's death, payments to a surviving spouse.

APPRENTICE

A learner or beginner who enters into a formal agreement to achieve journey-level worker status in a skilled trade. The agreement requires that the person undergo supervised practical training and experience and receive technical off-the-job or classroom instruction related to the skilled trade, usually for a specified period of time.

APPRENTICE RATES

Schedule of wage rates applicable to workers' formal apprenticeship training. The rates usually rise gradually until apprentices achieve journey-level status and the rates that accompany journey-level status.

ARBITRATION (VOLUNTARY, COMPULSORY, ADVISORY)

Method of settling labor-management disputes through an impartial third party, whose decision is usually final and binding. Arbitration is *voluntary* when both parties agree to submit disputed issues to arbitration, and *compulsory* if required by law. A court order to enforce a voluntary arbitration agreement is not usually considered compulsory arbitration. *Advisory arbitration* - As provided in Federal Government agreements, arbitration without a final and binding award.

ARBITRATOR

An impartial third party to whom disputing parties submit their differences for decision (award). An *ad hoc arbitrator*

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acts in a specific case or a limited group of cases. A *permanent arbitrator* serves for the life of the contract or a stipulated term, hearing all disputes that arise during this period.

AREA DIFFERENTIALS (see Wage Differentials)

AT RISK PAY

Pay that an employee is not guaranteed to receive but may receive under certain circumstances. Examples include commissions, piece rates, and various kinds of bonuses such as safety or attendance awards.

ATTENDANCE BONUS

Payment or other type of reward (e.g., a day off) for employees whose work attendance record meets certain standards. (See Bonus - (Production and Nonproduction).)

AUTOMATIC PROGRESSION

Policy by which workers' pay rates are automatically increased at fixed time intervals. Also refers to automatic movement from trainee rate to job classification rate or to the minimum of a rate range.

AVERAGE HOURLY RATE

Rate that is calculated by taking an employee's earnings and dividing by the hours worked.

BACK LOADED

Multiyear collective bargaining contract in which wage or employee benefit increases or both, are greater in the later years of the agreement than in the first year. (See Front Loaded.)

BACK PAY

Payment of part or all of an employee's wages for a particular prior period of time, arising from arbitration, court, or board awards, grievance settlements, errors in computation of pay, misinterpretation of wage legislation, etc.

BARGAINING AGENT (BARGAINING REPRESENTATIVE)

A union designated by an appropriate government agency, such as the National Labor Relations Board, or recognized voluntarily by the employer, as the exclusive representative of all employees in the bargaining unit for purposes of collective bargaining.

BARGAINING RIGHTS

Legally recognized right of unions to represent workers in dealings with employers.

BARGAINING UNIT

Group of employees in a craft, department, plant, firm, or industry recognized by the employer or group of employers, or designated by an authorized agency such as the National Labor Relations Board, as appropriate for representation by a union for purposes of collective bargaining.

BASE RATE

Wage rate for work performed during a unit of time, most commonly expressed as a rate per hour. It may, however, be expressed as an amount per day, week, month, or year. Does not include overtime or incentive rates. Under an incentive pay system, base rate may refer to the rate of pay for work that does not meet an incentive production standard or for downtime. Sometimes differs from the guaranteed rate.

BENEFICIARY

The person designated by an employee or retiree to receive benefit payments in the event of the employee's or retiree's death.

BENEFIT REOPENER (see Reopening Clause)

BENEFITS

Nonwage compensation provided to employees. The National Compensation Survey groups benefits into five categories: Paid leave (vacations, holidays, sick leave); supplementary

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pay (premium pay for overtime and work on holidays and weekends, shift differentials, nonproduction bonuses); retirement (defined benefit and defined contribution plans); insurance (life insurance, health benefits, short-term disability, and long-term disability insurance) and legally required benefits (Social Security and Medicare, Federal and State unemployment insurance taxes, and workers' compensation).

BEREAVEMENT PAY (see Funeral Leave)

BILINGUAL PAY DIFFERENTIAL

An hourly, weekly or monthly addition to pay for employees who have qualified in a second language and are assigned to jobs that necessitate its use. Sign language for the hearing impaired may qualify for the differential.

BLACK LUNG BENEFITS

A Federal program providing cash benefits to miners who suffer from black lung, a respiratory disease resulting from the inhalation of coal dust.

BLUE CIRCLE RATE (GREEN CIRCLE RATE)

Pay rate of a non-probationary worker that falls below the established rate ranges for workers performing the same duties.

BLUE-COLLAR WORKERS

Manual workers, usually those employed in production, maintenance, and related occupations, and paid by the hour or on an incentive basis. The National Compensation Survey's series for blue-collar occupations cover the following occupational groupings: Precision production, craft, and repair; machine operators, assemblers, and inspectors; transportation and material moving; and handlers, equipment cleaners, helpers, and laborers. (See Production Workers; White-Collar Workers.)

BONUS (PRODUCTION AND NONPRODUCTION)

Production Bonus: Extra payment based on production in excess of a quota or on completion of a job in less than stan-

standard time. In the National Compensation Survey, production bonuses are included in wages and salaries measures.

Nonproduction Bonus: A cash payment that is not directly related to the output of either the employee or a group of employees. Examples include attendance, Christmas, profit-sharing, safety, and year-end bonuses. In the National Compensation Survey, lump-sum payments, and all nonproduction bonuses, are excluded from wages and salaries measures but are included in the benefits component of total compensation.

BREAK IN SERVICE

Descriptive of the loss of seniority that occurs when an employee quits, is discharged, is laid off for a given time period, etc. If the employee is subsequently reemployed, seniority starts as if the employee has never worked before for the company. The employee loses previous status relative to other employees for layoffs, promotions, choice of vacation periods, etc.

BREAK TIME (see Rest Period)

BROAD BANDING

A method of grouping a number of similar jobs into only a few broad banded jobs. The grouping may be across various occupations that differ but have a common thread (e.g., all are skilled trade jobs) or across various grades within a job, or a combination of both. For example, 18 skilled trade job titles might be reclassified into two broad banded groups of jobs: Skilled Trade Worker I and Skilled Trade Worker II.

CAFETERIA PLAN (see Flexible Benefit Plans)

CALL-IN PAY (CALLBACK PAY)

Pay guaranteed to a worker recalled to work after completing the regular work shift. Call-in pay is a synonym for reporting pay. (See Reporting Pay.)

CASH BALANCE PENSION PLAN

A defined benefit plan in which an account is maintained for each plan participant. Each participant's account is credited with employer contributions to fund retirement benefits.

CASH OR DEFERRED ARRANGEMENT (CODA) (see 401(k) Plans)

CASH PROFIT-SHARING

Cash payments made to workers, often determined by a formula based on company profits. Such payments are not intended for retirement and individual accounts are not established. (See Deferred Profit-Sharing Plan; Bonus.)

CASUAL WORKERS

Workers who have no steady employer, but who shift from employer to employer. Also refers to workers not regularly attached to a particular work group. Sometimes applied to temporary workers. (See Contingent Workforce; Hiring Hall; Migratory Workers.)

CHILD CARE BENEFIT

Employers' full or partial payment for the cost of caring for an employee's children in a nursery, day care center, or by a baby-sitter, on or off the employer's premises, while the employee is at work. (See Elder Care.)

CHRISTMAS BONUS (see Bonus (Production and Nonproduction))

CIVIL RIGHTS ACT OF 1964

Under Title VII of this Federal act, private employers, unions, and employment agencies are required to treat all persons equally, regardless of race, color, religion, sex, or national origin, in all phases of employment, including hiring, promotion, compensation, firing, apprenticeship, job assignments, and training. An Equal Employment Opportunity Commission was created to assist in carrying out this section of the

act. The act has been amended by the Equal Employment Opportunity Act of 1972 and the Pregnancy Discrimination Act of 1978. The latter prohibits discrimination in employment against women affected by pregnancy, childbirth, or related medical conditions. (See Equal Employment Opportunity Commission (EEOC).)

CIVIL SERVICE REFORM ACT OF 1978 (CSRA)

Federal law protecting the rights of Federal employees to organize, bargain collectively, and participate through labor organizations of their own choosing in decisions affecting them. Supersedes Executive Order 10988, which recognized the right of Federal employees to bargain with management. Title VII specifies the duties and authority of the Federal Labor Relations Authority (FLRA).

CIVILIAN LABOR FORCE

The total of all civilian employed and unemployed persons.

CLEANUP TIME (WASHUP TIME)

Paid time allowed to workers to clean their workplaces or tools or to wash before leaving the plant at the close of the workday or for lunch. (See Clothes Changing Time.)

CLOSED SHOP (see Union Security)

CLOTHES CHANGING TIME

Time allotted within the paid workday for changing from street wear to work clothes or from work clothes to street wear, or both. (See Cleanup Time.)

CLOTHING ALLOWANCE (UNIFORM ALLOWANCE)

Monetary allowance for clothing or its upkeep or both, granted by an employer to employees who are required to wear special clothing, such as uniforms or safety garments, in the performance of their work.

COBRA RATE

The Consolidated Omnibus Budget Reconciliation Act (CO-

BRA) of 1985 includes provisions that apply to group health plans of employers with 20 or more employees on a typical working day. COBRA gives participants and their beneficiaries the right to maintain, at their own expense, coverage under their health plan that would be lost due to a qualifying event at a cost that is comparable to what it would be if they were still members of the employer's group. Qualifying events include an employee's death, termination, reduced hours of employment, entitlement to Medicare, or bankruptcy. Former employees usually receive benefits under COBRA for up to 18 months following the qualifying event. The cost of the COBRA coverage is normally paid for by the former employee, although some employers may pay a portion of the benefit's cost. The COBRA rate, which is the rate charged to the former employee or employee's beneficiary, is the actuarially determined plan premium plus an additional 2 percent fee to cover administrative costs.

COFFEE BREAK (see Rest Period)

COINSURANCE

The amount of a health benefit's cost which will not be paid by a plan. For example, a health benefit plan may include a coinsurance rate of 10 percent for medical services. Plan participants are responsible for paying 10 percent of the cost for medical services with the health benefit plan paying 90 percent of the cost. Plans may have different coinsurance rates for different types of services, such as hospital room and board, outpatient surgery, etc. (See Deductible.)

COLLECTIVE BARGAINING

Method whereby representatives of employees (unions) and employers determine the conditions of employment through direct negotiation, normally resulting in a written contract setting forth the wages, hours, and other conditions to be observed for a stipulated period (e.g., 3 years). Term also applies to union-management dealings during the term of the agreement.

COMMISSION EARNINGS

Compensation to salespeople based on a predetermined formula, for example, a percentage of the value of sales or the gross margin of goods or services sold. May be in addition to a guaranteed salary rate or may constitute total pay. (See Incentive Wage System.)

COMPARABLE WORTH

A method of setting compensation providing for equal pay for work of equal value. It has been used as a means of achieving parity in pay for women and minorities who have been relegated to specific jobs whose pay has been traditionally low. (See Equal Pay Act of 1963; Equal Pay for Equal Work.)

COMPENSATION (see Earnings)

COMPENSATORY LEAVE

Time off to compensate an employee for time worked in excess of the work schedule. Compensatory leave may be a substitute for premium pay for overtime for workers who are exempt from the Fair Labor Standards Act.

COMPRESSED WORKWEEK

Refers to completing standard weekly hours (e.g., 36, 37 1/2, 40 hours) in fewer days than the traditional 5-day workweek by increasing daily hours worked. Usually, the 40-hour workweek is scheduled over 4 days of 10 hours.

CONSOLIDATED LEAVE PLANS (see Leave Banks)

CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT (see Cobra Rate)

CONSUMER PRICE INDEX (CPI)

A measure of the average change in prices paid by urban consumers for a fixed group of goods and services. It is calculated and issued monthly by the Bureau of Labor Statistics.

CONTINGENT COMPENSATION

The linking of a portion of employees' pay or benefits to changes in some other measure, such as company profits, plant output, the Consumer Price Index, or the market price of a commodity. Contingent compensation payments may take the form, for example, of a lump sum payment in cash or company stock, or a wage rate increase.

CONTINGENT WORKER

A person employed to fill a temporary need for labor stemming from absence of regular employees, seasonal or irregular increases in need for workers, or other temporary or short-term circumstances. Contingent workers may be employees of the company for which they work, independent contractors, or employees of temporary help firms. (See Casual Workers; Hiring Hall; Migratory Workers; Part-Time Employee.)

CONTRACT (see Agreement)

CONTRACTING OUT (SUBCONTRACTING, FARMING OUT, OUTSOURCING)

Practice of having certain operations of the firm, such as parts of a manufacturing process, plant maintenance, security, or payroll preparation, performed by outside contractors, rather than using employees of the firm.

CONTRACT SIGNING BONUS

A nonproduction bonus given to unionized employees upon signing of a new labor-management agreement. (See Signing Bonus.)

CONTRIBUTORY PLAN

Employee benefit plan, which is not 100 percent, paid for by the employer. To receive plan benefits, an employee must contribute (pay) a specified amount towards the full cost of the plan. For example, employer pays 100 percent of the cost of health insurance for the employee but pays only 40 percent of the cost of health care services for employee's dependents.

COPAYMENT

Small payment made by a health benefits plan participant each time a service is required. For example, a plan may require a \$5 or \$10 copayment for each physician's office visit. (See Deductible and Coinsurance.)

COST-OF-LIVING ADJUSTMENT

An across-the-board wage or salary change, or a supplemental payment, reflecting changes in the cost of living. Cost-of-living adjustments are sometimes included in collective bargaining agreements, with the amount of the periodic adjustments determined by the change in the Consumer Price Index published by the Bureau of Labor Statistics. Cost-of-living adjustments may also be applied to pension payments. (See Consumer Price Index.)

CRAFT

A skilled occupation requiring a thorough knowledge of processes involved in the work, often gained through formal apprenticeship, the exercise of considerable independent judgment, usually a high degree of manual dexterity, and in some instances, extensive responsibility for valuable products or equipment.

DAVIS-BACON ACT OF 1931 (PREVAILING WAGE LAW)

The Davis-Bacon Act applies to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair, including painting, of public buildings or public works. The Act requires that contractors and subcontractors pay their laborers and mechanics not less than the wage rates and benefits determined by the Secretary of Labor to be prevailing in the area for corresponding classes of laborers and mechanics employed on projects of a similar nature.

DEADHEADING (see Travel Time)

DEDUCTIBLE

The amount of money a benefit plan participant must pay during a year before the plan begins to provide coverage and pay for all or a portion of the benefit. For example, a health benefits plan may include a \$50 deductible per year per individual to receive reimbursement for prescription drugs. (See Coinsurance and Copayment.)

DEFERRED EARNINGS

Earnings that an employee voluntarily places in a retirement account established as a 401(k) plan. Deferred earnings are not taxed as income at the time the money is earned—income taxes are deferred until benefits are distributed from the retirement account.

DEFERRED PROFIT SHARING PLAN

A defined contribution plan under which a company credits a portion of company profits to employees' accounts. Plans may set a fixed formula for sharing profits but this is not a requirement. Most plans hold money in employee accounts until their retirement, disability, or death.

DEFERRED WAGE CHANGE

A negotiated wage change (almost always an increase) that will become effective at a specified date beyond the effective date of the contract. Usually found in multi-year contracts.

DEFINED BENEFIT PENSION PLAN (see 401(k), 403 (b), 457 Plans)

A retirement plan that uses a specific, predetermined formula to calculate the amount of an employee's future benefit. In the private sector, defined benefit plans are typically funded exclusively by employer contributions. In the public sector, defined benefit plans often require employee contributions.

DEFINED CONTRIBUTION PLAN

A retirement plan in which the employer makes specified contributions but the amount of the retirement benefit is not speci-

fied. Defined contribution plans may be wholly or partially funded by employers.

DENTAL MAINTENANCE ORGANIZATION

An organization that provides prepaid dental care services.

DENTAL PLAN

An insurance plan that provides services or payment (usually partial) for preventive and restorative dental care. Preventive care typically includes checkups, cleanings, and xrays. Restorative care may involve fillings, surgery, inlays, or crowns.

DEPENDENT CARE REIMBURSEMENT ACCOUNTS (see Reimbursement Accounts)

DIFFERENTIAL PIECE RATES

Plan under which piece rates vary at different levels of output.

DISABILITY

Any injury or illness, temporary or permanent, that prevents a worker from carrying on his usual occupation. (See Permanent and Total Disability.)

DISABILITY RETIREMENT

Retirement brought on as the result of a totally disabling injury or illness prior to an employee's eligibility for normal or early retirement. The participant often has to meet a service requirement, usually 10 years or more. Benefits may be immediate or deferred, and immediate benefits may or may not be reduced.

DISCHARGE

Dismissal of a worker from his employment. Term implies discipline for unsatisfactory performance and is thus usually limited to dismissals for cause relating to the individual (e.g.,

insubordination, absenteeism, inefficiency, etc.). (See Employment-at-Will.)

DISCRIMINATION

Prejudice against or unequal treatment of workers in hiring, employment, pay or conditions of work, because of race, national origin, creed, color, sex, age, marital status, sexual orientation, disabilities, union membership or activity, or any other characteristic not related to ability or job performance. (See also Civil Rights Act of 1964; Equal Employment Opportunity Commission.)

DISMISSAL PAY (see Severance Pay)

DISPLACED WORKERS

Those who lost or left jobs due to plant or company closings or moves, slack work, or the abolishment of their positions or shifts.

DOMESTIC PARTNERS

Couples in a committed relationship other than the conventional marital affinity. The term applies to heterosexual and also gay and lesbian couples. *Domestic partner benefits* are the equivalent of traditional spousal benefits, (e.g., covering, health insurance and family leave) .

DONATED LEAVE (LEAVE SHARING)

Transfer of leave from one employee to a second who has exhausted leave. Leave from several workers may be accumulated in a bank and withdrawn in emergencies, such as personal or family illness, by the employee who has exhausted leave.

DOUBLE TIME

Penalty or premium rate (e.g., for overtime work, for work on Sundays and holidays) amounting to twice the employee's regular rate of pay for each hour worked.

DOWNTIME (DEAD TIME; DELAY TIME; WAITING TIME)

A brief period during which workers are unable to perform their tasks because they are waiting for materials or for machinery repair.

DRAW ACCOUNT

Usually, an allowance given to sales people working on a straight commission as an advance against commission payments.

DRUG ABUSE (see Substance Abuse)

DUTY HOURS (DUTY TIME) (see Work Schedule)

EARLY RETIREMENT (EARLY OUT)

A retirement plan provision that gives an immediate pension to retiring employees prior to normal retirement. The participant must meet certain age or service requirements or both or a combined total of age and service. The pension is generally reduced to reflect a longer payout. Some employers may offer special incentives (early retirement windows) under an early out program to encourage individuals to retire before the normal retirement age.

EARNINGS (HOURLY; DAILY; WEEKLY; ANNUAL; AVERAGE; GROSS; STRAIGHT-TIME; COMPENSATION)

Remuneration (pay, wages) of a worker or group of workers for services performed during a specific period of time. The term invariably carries a defining word or a combination, e.g., straight-time average hourly earnings. Since a statistical concept is usually involved in the term and its variations, the producers and users of earnings data have an obligation to define them. In the absence of such definition, the following may serve as rough guides: *Hourly, daily, weekly, annual* - Period of time to which earnings figures, as stated or computed, relate. The context in which annual earnings (sometimes weekly earnings) are used may indicate whether the reference includes

earnings from one employer only or from all employment plus other sources of income; *average*- usually the arithmetic mean; that is, total earnings (as defined) of a group of workers (as identified) divided by the number of workers in the group; *gross* - usually total earnings, including, where applicable, overtime payments, shift differentials, production bonuses, cost-of-living allowances, commissions, etc.; *straight-time* - usually gross earnings excluding overtime payments and (with variations at this point) shift differentials and other monetary payments. *Compensation* - a concept sometimes used to encompass the entire range of wages and benefits, both current and deferred, that workers receive out of their employment.

The National Compensation Survey defines hourly earnings as the straight-time hourly wages or salaries paid to employees. They include incentive pay (commissions, piece rate payments, and production bonuses), cost-of-living adjustments, hazard pay, and payments for income deferred due to participation in a salary reduction plan. Excluded are premium pay for overtime, holidays, and weekends, shift differentials, draws, nonproduction bonuses, tips, and uniform and tool allowances .

EDUCATION LEAVE

Leave, typically without pay, to employees wishing to attend an accredited college or university or recognized trade, vocational or technical school to take a course of study or training related to their jobs or employment opportunities at the company.

EDUCATIONAL ASSISTANCE (TUITION AID; TUITION PAYMENT PLAN)

A program that provides full or partial payment for tuition or books or both for training or educational courses.

EDUCATIONAL PAY DIFFERENTIAL

Usually for professional occupations such as teachers, educational pay differentials provide for progressively higher salary rates based upon the employee's completion of specified academic requirements. For example, a person having a

Ph.D. would receive higher pay than another having a master's degree, or an employee with a master's degree would receive a higher salary than another having a bachelor's degree.

ELDER CARE

A program that provides paid or unpaid time off for the purpose of caring for sick or elderly parents, and employer sponsored or subsidized adult day care. (See Family and Medical Leave Act of 1993.)

ELIGIBILITY REQUIREMENT

Requirement(s) that an employee must meet to be covered by a benefit plan. For example, employees must be scheduled to work a minimum of 32 hours per week to be covered under a company's health benefits plan.

EMPLOYEE

An employed wage earner or salaried worker. Used interchangeably with "worker" in the context of a work situation, but a "worker" is not an "employee" when he is no longer on the payroll.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

A structured, separate plan (independent from health insurance) that provides employee referral services, or referral and counseling services concerning substance abuse, marital difficulties, financial, emotional, and legal problems.

EMPLOYEE BENEFIT PLAN

A plan established or maintained by an employer, employee organization or both (through negotiated agreement or unilaterally) to provide employees with welfare or retirement benefits or both. (See Benefits.)

EMPLOYEE BUYOUT (see Employee Stock Ownership Plan Plan (ESOP))

EMPLOYEE LEASING COMPANIES

Firms that provide other companies with personnel. The leas-

ing company is the legal employer of the leased personnel and is therefore responsible for hiring, reviewing, and firing. The leasing companies pay wages, benefits, and payroll taxes.

EMPLOYEE PURCHASES AND DISCOUNTS (PERQUISITES; PERKS)

Opportunities offered to employees to receive free, or to purchase at discounted prices, the goods and services of the employer (e.g., discounts on automobiles and trucks or electrical appliances, or free or discounted electrical, gas, telephone, transit, and transportation services, etc.).

EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 (ERISA)

This act sets uniform minimum standards to assure that private sector employee benefit plans are established and maintained in a fair and financially sound manner. Employee benefit plans include pension plans and employee welfare plans, providing health benefits, disability benefits, death benefits, prepaid legal services, vacation benefits, day care centers, scholarship funds, apprenticeship and training benefits, or other similar benefits. ERISA sets standards for administering these plans, including a requirement that financial and other information be disclosed to plan participants and beneficiaries and other requirements for processing claims for benefits under the plans.

EMPLOYEE STOCK OWNERSHIP PLANS (ESOP)

A defined contribution plan in which the employer contributes to a fund that invests primarily in company stock and makes distributions in stock or cash. The plan must be specifically designated in its name or official description as an “employee stock ownership plan.”

EMPLOYER

Any individual, corporation, or other operating group that hires workers (employees). The terms “employer” and “management” are often used interchangeably when there is no intent

to draw a distinction between owners and managers.

EMPLOYERS' ASSOCIATION

Voluntary membership organization of employers established to deal with problems common to the group. It may be formed specifically to handle industrial relations and to negotiate with a union or unions. Employers' associations may arrange with third parties to provide their employees health or other benefits.

EMPLOYMENT-AT-WILL

The theory that employers have the power to hire and fire workers solely at their own discretion.

EMPLOYMENT COST INDEX (ECI)

A fixed-employment-weighted index which tracks quarterly changes in labor costs (wages, salaries, and employer costs for employee benefits), free from the influence of employment shifts among occupations and industries. Occupations in the private sector and State and local government are surveyed. The ECI is published quarterly by the Bureau of Labor Statistics.

ENTRANCE RATE

Wage rate at which an employee starts a job. The rate may apply to a new hire or to a worker who changes jobs within the establishment.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION (EEOC)

An independent agency enforcing a variety of Federal laws barring discrimination in the public and private sectors, among them, Title VII of the Civil Rights Act of 1964, the Equal Pay Act of 1963, the Age Discrimination in Employment Act (ADEA), and the Americans with Disabilities Act of 1990 (ADA). The EEOC receives and investigates charges of discrimination, conciliates, and, if necessary, litigates. It seeks relief for victims of discrimination and remedies designed to correct the discrimination and to prevent its recurrence.

EQUAL PAY ACT OF 1963

An amendment to the Fair Labor Standards Act prohibiting gender-based differences in wages and benefits, unless the differential can be justified by factors not based on sex (e.g., seniority). The principal enforcement agency is the Equal Employment Opportunity Commission.

EQUAL PAY FOR EQUAL WORK

A policy denoting, or a demand for, payment of equal compensation to all employees in an establishment performing the same kind or amount of work, regardless of race, sex, or other characteristics of individual workers not related to ability or performance. (See Comparable Worth.)

ESTABLISHMENT

An economic unit that produces goods and services (e.g., factory, store, etc.) at a single location and is engaged in one type of economic activity. An establishment is not necessarily identical with a company, which may consist of one or more establishments. For example, a grocery store company may operate seven individual establishments.

EXCLUSIVE PROVIDER ORGANIZATION (EPO)

Groups of hospitals and physicians that contract to provide comprehensive medical services. Participants are required to obtain services from members of the organization to receive plan benefits.

EXEMPT/NONEXEMPT EMPLOYEES

Exempt employees are not subject to the provisions of the Fair Labor Standards Act (e.g., executive, administrative, and professional employees; employees of Federal, State and local governments, etc.). *Nonexempt employees* are covered by the provisions of the Fair Labor Standards Act (e.g., employees engaged in, or producing goods and services for, interstate commerce; employees of certain hotels, restaurants, or motels; etc.).

EXPERIENCE RATING

Process of basing tax rates or insurance premiums on the

employer's own record - as in workers' compensation, unemployment insurance, and commercially insured health and insurance programs - so that the employer may benefit from a good record.

EXTENDED UNEMPLOYMENT INSURANCE BENEFITS

Benefits that are paid during periods when unemployment levels exceed certain percentages. Individuals who have exhausted their regular benefits or whose benefits end within an extended benefit period are eligible for these benefits if they otherwise meet the requirements for regular benefits and are not disqualified for any reason.

FAIR LABOR STANDARDS ACT OF 1938 (FLSA; WAGE-HOUR LAW)

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) for all workers engaged in, or producing goods for, interstate commerce. The minimum wage and the coverage of the Act have been modified several times since enactment.

FAMILY AND MEDICAL LEAVE ACT OF 1993 (FMLA)

A Federal law entitling employees up to 12 weeks of job-protected, unpaid leave during any 12-months for the following reasons: Birth and care of the employee's child or placement for adoption or foster care of a child with the employee, to care for an immediate family member (spouse, child, parent), or for the employee's own serious health condition. The FMLA applies to private sector employers engaged in commerce, or in any industry affecting commerce, that have 50 or more employees each working day during at least 20 calendar weeks or more in the current or preceding calendar year. State and local government agencies, including schools, and most Federal government employees are also covered.

FAMILY CARE DEVELOPMENT FUNDS

Funds jointly administered by management and unions, pri-

marily in the telephone industry, to encourage an increase in the number of child care and elder care facilities and to expand the capabilities and quality of professional care organizations and their staffs.

FAMILY CARE LEAVE

A variety of family-related paid or unpaid leave including leave for maternity, adoption, care of a newborn child (i.e., parental leave), and family illness. Also included is short-term leave, generally paid time off from work for reasons such as a child's medical appointments or parent-teacher conferences. (See Child Care; Elder Care; Family and Medical Leave Act of 1993 (FMLA).)

FEDERAL MEDIATION AND CONCILIATION SERVICE (FMCS)

An independent Federal agency that provides mediators to assist the parties involved in negotiations, or in a labor dispute, in reaching a settlement; provides lists of suitable arbitrators on request; and engages in various types of "preventive mediation." Mediation services are also provided by several State agencies.

FEE-FOR-SERVICE PLAN

A health care plan that reimburses care providers or patients after services have been rendered. Fee-for-service plans allow workers to select the health care providers (physicians and hospitals) of their choice.

FINANCIAL COUNSELING

Education provided to employees to increase their knowledge and understanding of personal financial decisions, financial planning, and financial investments.

FIRST DOLLAR COVERAGE

A feature of a health benefits plan in which the plan does not require its participants to pay any deductibles or copayments before benefits are received. Basic benefits are usually referred to as this, because initial expenses are paid by the plan rather than by the patient.

FLAGGED RATE (see Red Circle Rate)

FLAT RATE (see Single Rate)

FLEXIBLE BENEFIT PLAN (CAFETERIA PLAN)

A plan that provides employees with options to choose among a number of plans covering several different benefits. They often consist of a “core” package of benefits (vacations, low option health insurance, etc.) that employees must take. In addition, an optional package may be offered from which employees can select specific benefits (high option health, life and long-term disability insurance, extra vacation days, child care expenses, etc.) that they desire.

FLEXIBLE WORK SCHEDULE PLAN (FLEXITIME)

A work schedule plan that allows employees to determine their own work hours within generally set parameters. Typically, employees are required to be at work a minimum number of “core” hours each day (e.g., from 10 a.m. to 3 p.m.), but the start and end time or total hours worked varies according to employee preference.

FLEXIBLE WORKPLACE (FLEXIPLACE)

Arrangements permitting employees to work at home several days of the workweek. Such arrangements are especially compatible with work requiring the use of computers linking home to the central office. (See Homework; Telecommuting.)

FLOATING HOLIDAY

A holiday that can vary from year to year, the day on which the holiday is observed being selected by the employer or the employee.

401(k), 403(b), 457 PLANS

Defined contribution benefits plan established under Section 401(k) of the Internal Revenue Code (IRC) permit employees to make pre-tax contributions via salary reduction agreements. IRC Section 403(b) plans are deferred compensation plans for employees of certain not-for-profit organizations and public schools. IRC Section 457 plans are deferred compen-

sation plans for employees of State and local governments and tax-exempt organizations.

FRINGE BENEFITS (see Benefits)

FRONT-LOADED

A multiyear collective bargaining agreement in which wage or benefit increases or both are greater in the first year of the agreement than in subsequent years. (See Back-Loaded.)

FUND (TRUST FUND)

Money and investments set aside in a separate account, usually administered by trustees, to take care of the payment of pensions, supplemental unemployment benefits, strike benefits, etc.

FUNERAL LEAVE (BEREAVEMENT LEAVE)

Paid time off due to a death in the family.

GAINSHARING PLAN

A form of contingent compensation in which a portion of employee pay varies with the ability of groups of employees to reach or exceed predetermined goals in cost savings, earnings improvements, quality gains, or profit improvements. Included are Scanlon Plans, Rucker Plans, Improshare, etc. Payments are made in the form of annual bonuses, not added to basic wage rates.

GARNISHMENT

Legal attachment of an employee's wages to pay a debt owed by the employee to someone other than the employer.

GOING RATE (see Prevailing Rate)

GRANDFATHERED BENEFIT

Benefit (or benefit provision) available only to employees meeting certain criteria, usually having been employed and

participating in a benefit plan prior to it being eliminated or its provisions changed.

GRAVEYARD SHIFT (see Shift)

GREEN CIRCLE RATE (see Blue Circle Rate)

GROUP HEALTH PLAN

A plan that provides medical benefits for the employer's own employees and their dependents through insurance or otherwise (such as a trust, health maintenance organization, self-funded pay-as-you-go basis, etc.).

GROUP INCENTIVE PLAN

Payment of incentive earnings based on the output of a group of workers (team, department, etc.) rather than the output of the individual worker.

GUARANTEED RATE, TIME

Rate of hourly or weekly pay promised to a worker under an incentive system, regardless of whether incentive pay is earned. For example, piece rate workers may be guaranteed an hourly pay rate of \$6.25 plus any piece rate payments earned. Also, term is sometimes used for wage or employment assurances. For example, a guarantee of 8 hours' pay for employees called to work at a construction site, although the actual number of hours worked may be less than 8.

HARDSHIP ALLOWANCE

Additional payment for working under adverse conditions, for example, outside during periods of extremely cold weather.

HAZARD PAY

Extra pay to an individual worker or a group of workers working under dangerous or undesirable conditions.

HEALTH CARE COST CONTAINMENT PROVISIONS

Provisions included in some health benefits plans in an at-

tempt to address the rise in medical care costs. Examples include mandatory second surgical opinions and preadmission certification before being admitted to a hospital, incentives for employees to audit hospital and medical services bills, and incentives for child deliveries in lower cost birthing centers rather than in hospitals.

HEALTH CENTER

Usually a clinic administered by a union, or by trustees representing employers and unions, where members and their families may receive medical examinations and treatment free or at a nominal charge.

HEALTH MAINTENANCE ORGANIZATION (HMO)

Organization that provides prepaid comprehensive health care services. HMOs both insure and deliver health care services. Enrollees usually reside within a fixed geographic area and are required to obtain services only from providers affiliated with the HMO. An exception to this case is *Point of Service Open-Ended HMOs*, which allow enrollees the option of obtaining services from physicians and facilities not affiliated with their HMO.

HELPERS

Semi-skilled workers who assist other workers who usually have higher levels of competence or expertise. Helpers perform a variety of duties such as furnishing another worker with materials, tools, and supplies; cleaning work areas, machines, and equipment; holding materials or tools; and performing other routine tasks.

HIGH TIME PAY

Extra pay for workers engaged in a job high above ground, and, thus, dangerous or uncomfortable, as in construction. Sometimes also applied to work below ground level with extra dangers or discomforts. (See Hazard Pay.)

HIRING HALL

An office maintained by a union, or jointly by employers and union, for referring workers to jobs or for the actual hiring

operation. Common in maritime and longshore industries. (See Casual Workers; Contingent Workforce.)

HIRING RATE (see Entrance Rate)

HOLIDAY (see Paid Holiday)

HOLIDAY PREMIUM PAY

Pay to workers at premium rates (e.g., double time) for work on holidays. (See Paid Holiday.)

HOME WORK

Production of goods by workers in their homes from materials supplied by the employer. Such activities are sometimes referred to as “cottage industries”. (See also Flexible Workplace (Flexiplace); Telecommuting.)

HOSPITALIZATION BENEFITS

Health benefits coverage for hospital room and board charges, routine nursing care, prescription drugs, and surgical dressings, etc.

HOURLY RATE

Usually, the rate of pay, expressed in dollars and cents per hour, for manual and other workers paid on a time basis. Also used to designate the earned rate per hour under incentive methods of wage payment.

HUMAN RESOURCE MANAGEMENT (HRM)

Involves the employer’s management of its workforce. Human resource management broadly encompasses personnel responsibilities including HRM planning, job design and job analysis, selection and staffing, employee training and development, performance appraisal, compensation, communications, and employee involvement.

I**NCENTIVE WAGE SYSTEM**

General term for methods of wage payment that relate earn-

ings of workers to their actual production, individually or as a group. (See Group Incentive Plan; Piecework.)

INDEPENDENT CONTRACTOR

A worker who receives compensation for performing services for an establishment outside the normal employer-employee relationship. The Internal Revenue Service has established 20 factors or guidelines to clarify whether a worker is an employee or an independent contractor. The guidelines include compliance with instructions, training, set hours of work, work done on employer's premises, tools and materials, working for more than one firm at a time, etc.

INDIVIDUAL PRACTICE ASSOCIATION (see IPA)

INDIVIDUAL RETIREMENT ACCOUNT (IRA)

A type of retirement plan that workers may establish and contribute to regardless of whether they are covered by an employer-sponsored pension plan. Usually, an employee may contribute up to \$2,000 per year. Provisions related to deductibility of contributions, taxation of earnings, and timing of withdrawals vary.

INDUSTRIAL CLASSIFICATION (see North American Industry Classification System Manual)

INDUSTRIAL RELATIONS

Matters of mutual concern to employers and employees; the relationships, formal and informal, between employer and employees or their representatives; government actions and law bearing upon these relationships; an area of specialization in a company focusing on labor-management relations.

INSURANCE

A method of providing or purchasing protection against some or all of the economic consequence of a loss. For employee benefits purposes, it is full or partial coverage for the financial losses and expenses that can result from employee injury,

illness, disability, or death. (See Insurance Carrier; Insurance Policy.)

INSURANCE CARRIER

A commercial insurer that underwrites or administers insurance policies or does both for such programs as life insurance, health care, short-term disability, and long-term disability benefits.

INSURANCE POLICY

The contract between an insurance carrier and an insured employer under which the carrier agrees to pay the policy benefits when specific losses occur, providing the carrier receives the required premiums.

The policy presents in detail the benefit plan provisions.

INVERSE SENIORITY (INVERSE LAYOFFS)

The waiver of seniority rights in layoff. This permits senior employees to avoid placement on relatively undesirable or low paying jobs, and allows junior workers, those more likely to have families with young children, to continue employment.

IPA (INDIVIDUAL PRACTICE ASSOCIATION)

A form of HMO that contracts with medical care providers in the community who practice out of their own offices and see HMO members there.

IRA (see Individual Retirement Account)

JOB ANALYSIS

Systematic study of a job to discover its specifications, its mental, physical, and skill requirements, its relation to other jobs in the establishment, etc., usually for wage setting or job simplification purposes. (See Job Description.)

JOB CLASSIFICATION

Arrangement of tasks in an establishment or industry into a

limited series of jobs or occupations, rated in terms of skill, responsibility, experience, training, and similar considerations, usually for wage setting purposes. This term, or job class, refers to a single cluster of jobs of approximately equal "worth."

JOB DESCRIPTION

A written statement listing the elements of a particular job or occupation, e.g., purpose, duties, equipment used, qualifications, training, physical and mental demands, working conditions, etc.

JOB EVALUATION (JOB GRADING; JOB RATING)

Determination of the relative importance or ranking of jobs in an establishment, for wage setting purposes, by systematically rating them on the basis of selected factors, such as skill, responsibility, experience, etc. Ordinarily used as a means of determining relative levels, not the actual rate structure as a whole.

JOB SECURITY

The protection of workers from the loss of job and earnings for reasons not related to a worker's performance or behavior. Employment security is the certainty that the employee's attachment to the employer will continue even though the employee's specific job may disappear because of technological change, work reorganization, etc.

JOB SHARING

The division of a full-time position into two part-time jobs. The duties and responsibilities of the job are assigned to two employees who share accountability, pay, and benefits. In recent years, it has been used to employ or retain workers whose obligations (e.g., education, child care, illness in the family, etc.) prevent them from taking a full time job. In a period of slack work, it also refers to sharing the available work to forestall layoff. In this event, the sharing occurs among groups of workers rather than two workers sharing one job. Layoffs may follow if the number of weekly hours falls below designated levels.

JOB TITLE

A label for a job or occupation, which distinguishes it from other jobs or occupations. For example, Cost Accountant Level III or Emissions Mechanic-Trainee.

JOURNEY LEVEL

A fully qualified skilled trade or crafts worker, generally having mastered a trade by completing a formal apprenticeship program. Also used to designate fully-qualified workers in other jobs.

JOURNEY LEVEL RATE

Rate of pay for a fully qualified worker in a skilled trade or craft, usually as distinguished from apprentice rate, helpers' rate, probationary rate, etc.

JURY DUTY LEAVE

Fully paid, partially paid, or unpaid leave from work when an employee is summoned to serve as a juror.

LABOR GRADES

One of a series of rate steps (single rate or a range of rates) in the wage structure of an establishment's occupations. Labor grades are typically the outcome of some form of job evaluation, or of wage rate negotiations, by which different occupations are grouped, so that occupations of approximately equal "value" or "worth" fall into the same grade and, thus, command the same rate of pay. (See Job Classification and Job Evaluation.)

LABOR-MANAGEMENT COOPERATION (EMPLOYEE INVOLVEMENT; QUALITY OF WORK LIFE; UNON-MANAGEMENT COOPERATION; WORKER PARTICIPATION)

A process in which employees participate in making decisions, ordinarily made by managers, that affect their work and work environment. Activities may include goal setting, identification and solution of problems, and developing the

means of implementing decisions. The goal is to improve the quality of products and services, job satisfaction, the skills and abilities of workers, etc.

LABOR MANAGEMENT RELATIONS ACT 1947 (TAFT-HARTLEY ACT)

Federal law amending the National Labor Relations Act (Wagner Act), 1935, which, among other changes, defined and made illegal a number of unfair labor practices by unions. It preserved the guarantee of the right of workers to organize and bargain collectively with their employers, or to refrain from such activities, and retained the definition of unfair labor practices as applied to employers. The Act does not apply to employees in a business or industry where a labor dispute would not affect interstate commerce. Other major exclusions are: Employees subject to the Railway Labor Act, agricultural workers, government employees, nonprofit hospitals, domestic servants, and supervisors. Amended by the Labor-Management Reporting and Disclosure Act of 1959. (See National Labor Relations Act of 1935 (Wagner Act); National Labor Relations Board.)

LABOR-MANAGEMENT REPORTING AND DISCLOSURE ACT OF 1959 (LANDRUM-GRIFFIN ACT)

Federal law designed “to eliminate or prevent improper practices on the part of labor organizations, employers, labor relations consultants” and others. Its seven titles include: A bill of rights which sets forth certain basic rights which Congress believed should be guaranteed to union members by Federal law, requirements for the filing of information and financial reports, regulations governing trusteeships over subordinate unions, standards for elections of union officers, and fiduciary responsibility of union officers.

LABOR STANDARDS

The minimum levels or floors, established through collective bargaining or by law, for wages, hours, benefits, and working conditions that together define the standard of living for work-

ers and their families. The Fair Labor Standards Act (FLSA), for example, establishes levels of minimum wages and weekly hours for workers and sets age levels and the nature of jobs (e.g., nonhazardous) in which children may be employed. The Public Contracts Act (Walsh-Healey Act) applies similar standards to workers under Federal contracts. The Occupational Safety and Health Act (OSHA) authorizes the establishment of worksite safety and health standards. (See Living Wage.)

LANDRUM-GRIFFIN ACT (see The Labor-Management Reporting and Disclosure Act of 1959)

LAYOFF (REDUCTION IN FORCE; FURLOUGH)

Involuntary separation from employment for a temporary or indefinite period, without prejudice, that is, resulting from no fault of the workers. Layoffs may be caused by a decline in sales of a company's product or service, a merger of one company with another, or a decrease in labor requirements brought about through automation. Although "layoff" usually implies eventual recall, or at least an intent to recall workers to their jobs, the term is occasionally used for separations plainly signifying permanent loss of jobs, as in plant shutdowns. *Reduction in force* usually signifies permanent layoffs.

LEARNER

Normally, a beginner learning a job for which extensive technical training or experience is not required. (See Apprentice.)

LEARNER RATE (BEGINNER RATE)

Rate or, more frequently, schedule of rates applicable to workers inexperienced in the job for which they are employed, until they attain the necessary competence. (See Entrance Rate.)

LEARNER'S CERTIFICATE

Certificates issued by the U. S. Department of Labor, under the provisions of the Fair Labor Standards Act of 1938, which permit employers to pay rates below the statutory minimum

to learners, messengers, apprentices, and disabled workers so as not to curtail opportunities for their employment.

LEAVE BANK (CONSOLIDATED LEAVE PLAN)

Provides several different types of leave, such as vacations, holidays, sick leave, etc., under a single plan.

LEAVE OF ABSENCE

Normally, excused time (unpaid) away from work, usually for a week or more, without loss of job or seniority.

LEAVE SHARING (see Donated Leave)

LEGALLY REQUIRED BENEFITS

The National Compensation Survey benefit grouping that includes railroad retirement, railroad supplemental retirement, railroad unemployment, workers' compensation, Social Security, Medicare, State unemployment insurance, State required disability insurance, and the Federal Unemployment Tax Act.

LEGAL SERVICES PLAN

A prepaid plan providing to workers and their families a variety of basic legal services (e.g., drafting of wills, reviewing legal documents, etc.). For more complex legal problems, plans usually provide discounts from usual and customary fees.

LIFE INSURANCE

Provides a lump-sum payment to a designated beneficiary or beneficiaries of deceased employees. Companies may provide a basic amount of life insurance benefits, which may vary depending on an employee's age, income, or occupation, and allow employees to pay for additional amounts of coverage.

LIVING WAGE

A wage sufficiently high to permit a worker to keep a given standard of living. (See Labor Standards.)

LONGEVITY PAY

A specified increase in hourly pay rate, a lump sum payment, or a form of bonus (e.g., government savings bond, add-on to severance pay, etc.) paid to employees based upon their length of service.

LONG TERM CARE BENEFITS

Long-term care benefits, normally provided through an insurance plan, cover expenses related to home care, nursing home care, or custodial care. Benefit payments normally last for more than 1 year. Employers may offer plans that are financed entirely by the employees at group insurance rates. Employees may purchase policies for themselves, a spouse, or other family members.

LONG TERM DISABILITY INSURANCE (LTD)

Provides a monthly benefit to employees who, due to illness or injury, are unable to work for an extended period of time. Usually LTD benefit payments begin after 3 or 6 months of disability and continue until retirement age is reached, or for a specified number of months, depending on the employee's age at the time of the disability. Payments typically equal a fixed percent of predisability earnings.

LUMP-SUM PAYMENTS

These are made to employees in lieu of a general wage rate increases. The payment may be a fixed amount as set forth in a labor agreement or an amount determined by a formula. For example, 2.5 percent of an employee's earnings (wages, cost-of-living allowance payments, shift differential payments) during the prior year. Lump-sum payments are not incorporated into an employee's base pay rate or salary.

MAJOR MEDICAL INSURANCE

This insurance is typically offered in two forms. Supplemental plans offer additional coverage, subject to deductibles and coinsurance requirements, to what is provided in a basic health

plan by covering expenses that exceed the limits of the basic plan and expenses not covered by the basic plan. Comprehensive major medical plans are offered where there is no basic plan; they cover a wide range of medical services, with payment of benefits subject to a deductible and a coinsurance requirement.

MAKEUP PAY

The difference between actual piecework earnings and earnings at guaranteed rates or statutory minimum rates. The term is also associated with the practice of permitting employees to earn a full week's wages by making up for lost time.

MANAGED HEALTH CARE

These plans integrate the financing and delivery of appropriate health care services to covered individuals. Managed care usually involves some or all of the following elements: Arrangements with selected health care providers to furnish a comprehensive set of services; explicit standards for the selection of health care providers; formal programs for ongoing quality assurance and utilization review; and significant financial incentives for members of the plan to use providers and procedures covered by the plan. Health maintenance organizations and preferred provider organizations use managed health care concepts.

MANAGEMENT

The employer and his or her representatives, or corporation executives who are responsible for the administration and direction of an enterprise. (See Employer.)

MATERNITY LEAVE (PREGANCY LEAVE)

Paid or unpaid leave provided to women at the time of the birth of their baby. Unpaid maternity leave may usually be taken after regular paid leave is used and can continue for a fixed period of time. Employees returning from employer approved maternity leave can expect to return to their own or similar jobs.

MCNAMARA-O'HARA ACT (see Service Contract Act)

MEALTIME (see Paid Lunch Period)

MEDIATION (CONCILIATION)

An attempt by a third party, voluntarily agreed to by the parties, to help in negotiations or in the settlement of a dispute through suggestion, advice, or other ways of stimulating agreement, short of dictating its provisions (a characteristic of arbitration). Most of the mediation in the United States is undertaken through Federal and State mediation agencies. *Mediator*: a person who undertakes mediation of a dispute. *Conciliation*: in practice, synonymous with mediation; the term lives on mainly in the name of the chief mediation agency. (See Federal Mediation and Conciliation Service.)

MEDIATION-ARBITRATION (MED-ARB)

A dispute resolution process in which a third party neutral attempts to mediate outstanding issues and then arbitrates those that remain after mediation. In some instances, one neutral may mediate and then pass off remaining unsettled issues to another neutral for arbitration.

MEDICAL LEAVE (see Sick Leave)

MEDICARE

The Federal health insurance program under Social Security. It consists of two parts: Part A covers hospital insurance and Part B covers supplementary medical insurance to help pay for physicians' services, outpatient hospital services, and other medical supplies and services not covered by Part A. The Medicare program is funded through a joint employer-employee paid tax applied to covered earnings.

MERIT INCREASE

An increase in the wage rate of a worker, usually given on the basis of certain criteria of worth (e.g., efficiency and performance).

MERIT PROGRESSION (see Wage Progression)

MERIT SYSTEMS PROTECTION BOARD

Independent Federal agency charged with protecting the integrity of Federal merit systems and the rights of Federal employees working in the systems. The Board conducts special studies, hears and decides charges of wrongdoing and employee appeals of adverse agency actions. It may order corrective and disciplinary actions when appropriate.

MIGRATORY WORKERS

Persons whose principal income is earned from temporary employment (usually in farming) and who, in the course of the year, move one or more times, often through several States.

MILITARY LEAVE

Provides employees an unpaid, partially paid, or fully paid absence from work to fulfill their military commitments. Some employers pay the difference between an employee's regular earnings and the amount they receive from the military.

MINIMUM PREMIUM PLAN

Arrangement, used by self-insured health care plans, that provides insurance coverage to pay claims above a specified amount, limiting the employer's liability in the case of catastrophic expenses. (See Self-Funding (Self-Insurance) Plans.)

MINIMUM WAGE

Rate of pay, established by law or through collective bargaining, below which workers cannot be employed. Exceptions are frequently made for learners and disabled workers. Usually expressed as an hourly rate. (See Fair Labor Standards Act of 1938.)

MONEY PURCHASE PENSION PLAN

A defined contribution plan with fixed employer contributions, typically a percent of employee earnings. Contributions are allocated to individual accounts established for each

employee. Upon retirement, the contributions and investment earnings are used to purchase an annuity or to provide for some other form of retirement income. Some plans may allow employee contributions but employees are seldom required to make any contributions.

MOVING ALLOWANCE (see Relocation Allowance)

MULTI-EMPLOYER BARGAINING

Collective bargaining between a union or unions and a group of employers, usually represented by an employer association, resulting in a uniform or master agreement. Typically found in construction, maritime, retail food, trucking, and apparel industries.

MULTI-EMPLOYER (UNION) PENSION PLAN

Plan in which employers, usually in the same industry, contribute to a fund which is administered by a union or professional association, or jointly by an employer(s) and a union. Employer contributions are determined by the solvency of the pension fund, and in the case of union plans, the amount of the employer contribution is usually in terms of cents per hour worked and set during the negotiation for a labor-management agreement. Multi-employer plans are generally defined benefit pension plans.

MULTIPLANT BARGAINING (COMPANYWIDE BARGAINING)

Collective bargaining between a company and the union or unions representing workers in more than one of its plants, usually resulting in a master agreement. If all or most plants are involved, the term “companywide” is appropriately used.

MULTIPLE EMPLOYER WELFARE ARRANGEMENTS (MEWAs)

MEWAs, also referred to as multiple employer trusts (METs) or association health plans (AHPs), sell health and welfare benefit plans to employers.

NAFTA (NORTH AMERICAN FREE TRADE AGREEMENT)

A 1994 agreement by the United States, Canada, and Mexico opening each country's borders to free trade with the other participating Nations.

NAFTA-TAA (NAFTA-TRANSITIONAL ADJUSTMENT ASSISTANCE PROGRAM)

An agency established in the U.S. Department of Labor to help workers who lose jobs or are threatened with job loss because of the increase in imports from Canada and Mexico that are competitive with products or services of their employers. Assistance, available through the combined efforts of Federal and State agencies, include skill training, job search help, relocation allowance, and income support.

NATIONAL LABOR RELATIONS ACT, 1935 (WAGNER ACT)

The basic Federal act guaranteeing workers the right to organize and bargain collectively through representatives of their own choosing. The Act also defined "unfair labor practices" of employers. Amended by the Labor Management Relations Act, 1947 (Taft-Hartley Act), and the Labor-Management Reporting and Disclosure Act of 1959 (Landrum-Griffin Act).

NATIONAL LABOR RELATIONS BOARD (NLRB)

Federal agency created by the National Labor Relations Act, 1935, and continued through subsequent amendments, whose functions are to define appropriate bargaining units, to hold elections to determine whether a majority of workers want to be represented by a specific union or no union, to certify unions to represent employees, to interpret and apply the Act's provisions prohibiting certain employer and union unfair practices, and otherwise to administer the provisions of the Act. (See Labor Management Relations Act, 1947.)

NATIONAL MEDIATION BOARD

Federal agency established by the Railway Labor Act, 1926, to provide aid in settling disputes between railway compa-

nies and unions over union representation, negotiation of changes in agreements, and interpretation of agreements reached through mediation. The provisions of the RLA were later extended to airlines. (See Railway Labor Act of 1926.)

NATIONAL RAILROAD ADJUSTMENT BOARD

Federal agency established in 1934 which functions as a board of arbitration, handing down final and binding decisions on disputes arising out of grievances, or the application and interpretation of agreements, in the railroad industry (airline industry not covered). Board is composed of 36 members, 18 of whom represent and are paid by the carriers and 18 by national railway labor organizations.

NIGHT SHIFT (see Shift)

NONCONTRIBUTORY PLAN

An employee benefit plan that is completely paid for by the employer. (See Contributory Plan.)

NONEXEMPT EMPLOYEES (see Exempt/Nonexempt Employees)

NONPRODUCTION BONUS (see Bonus (Production and Non-production))

NONQUALIFIED DEFERRED COMPENSATION PLAN

Deferred compensation plans that do not receive favorable tax treatment, usually because they are offered to only a few executives or managers of a company leading to the plan not meeting the government's nondiscrimination rules or because they offer benefits in excess of those allowed by the rules.

NONWAGE CASH PAYMENTS

Nonproduction bonuses and lump sum payments given in lieu of wage rate increases.

NORTH AMERICAN FREE TRADE AGREEMENT (see NAFTA)

NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS)

The North American Industry Classification System (NAICS) Manual replaces the *1987 Standard Industrial Classification (SIC) Manual*. The *NAICS Manual*, as was the *SIC Manual*, is used by Federal Government statistical agencies to define and classify industries in the economy in a consistent manner based on their primary economic activity. It will take several years for the *NAICS Manual* to be adopted by statistical programs. In the meantime statistics will be published using the classification scheme of the *1987 SIC Manual's*. The governments of Canada, Mexico, and the United States developed the *NAICS Manual*, which became effective January 1997.

OCCUPATION

A job, or family of jobs, common to many industries and areas. For example, carpenter, administrative assistant, or accountant.

OCCUPATIONAL CLASSIFICATION SYSTEM (see *Standard Occupational Classification System Manual*)

OCCUPATIONAL RATES

Wage rates (single or rate ranges) for particular occupations in an establishment, industry, or area.

OLD AGE, SURVIVORS AND DISABILITY INSURANCE BENEFITS (OASDI)

Retirement income and survivors' and disability payments available to eligible workers covered by Federal social security legislation.

OLDER WORKERS BENEFIT PROTECTION ACT OF 1990

Clarifies that employee benefits and benefit plans are subject to the Age Discrimination in Employment Act of 1967.

ON CALL 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 promptly to work.

OPEN SEASON

A period of time during which employees may change their prior selection of benefit plans offered by their employer. For example, an employer may allow employees to change health benefit plan providers during November of each year.

OTHER LEAVE PLANS

A National Compensation Survey benefit grouping that includes personal leave, military leave, funeral leave, jury duty, and family leave.

OUT OF LINE RATE (see Red Circle Rate)

OUT OF TOWN WORK PAYMENTS

Payments, in addition to per diem or meal allowances, to employees required to work outside of their normal living area. For example, construction workers may receive an out of town payment of 15 percent of their normal pay rate. (See Travel Time.)

OUT OF WORK BENEFITS

Payments made by a union to unemployed members.

OUTPLACEMENT ASSISTANCE

Help, usually provided by the employer, union or a public agency or all three, to displaced workers who have lost jobs for reasons other than cause (e.g., downsizing, restructuring, plant closing, etc.). Among the help provided are job search assistance, resume development, training for job interviews, etc.

OUTSOURCING (see Contracting Out)

OVERTIME

Work performed in excess of basic workday or workweek, as defined by law, collective bargaining agreement, or company policy. Sometimes applied to work performed on Saturdays, Sundays, and holidays at premium rates.

OVERTIME PAY

Payment at premium rates (e.g., time and one-half, double time) for work defined as overtime.

PAID ABSENCE ALLOWANCE

Payment for lost working time available to workers for various types of leave not otherwise compensated, for example excused personal leave.

PAID HOLIDAY LEAVE

Holidays are days of special religious, cultural, social, or patriotic significance on which work and business ordinarily ceases. Workers typically receive time-off from work, at full pay or partial pay, on a specified number of holidays each year. Some employers also include “personal holidays,” such as an employee’s birthday or “floating holidays” that vary from year-to-year as determined by the employer or employee or both.

PAID LUNCH (MEALTIME)

Period of time, normally 30 minutes to one hour, for employees to eat and rest.

PAID VACATIONS

Time-off from work normally taken in days or weeks that provide employees with a rest or break from work. The amount of time-off may vary based on an employee’s length-of-service with the employer or it may be a fixed number of days or

weeks. The time-off is normally paid for at an employee's normal hourly rate or salary.

PARENTAL LEAVE

Paid or unpaid leave for a new mother or father to use to care for a child. Parental leave plans are separate from an employee's other leave plans, such as sick leave and paid vacations. Unpaid maternity and paternity leave usually can be taken after regular paid leave is used and can continue for a fixed period of time. Employees can expect to return to their own or similar jobs following approved parental leave.

PART-TIME EMPLOYEES

Workers employed on a temporary or regular basis for a workweek shorter than the scheduled workweek for full-time employees.

PATERNITY LEAVE (see Parental Leave)

PATTERN BARGAINING (see Wage Pattern)

PAY COMPRESSION

A lessening of the pay differential among workers in different pay grades. Pay compression can be caused by workers receiving across-the-board flat sum pay increases or by workers at higher pay grades receiving smaller percentage increases in pay than those at lower pay grades.

PAY EQUITY (see Comparable Worth)

PAY-FOR-KNOWLEDGE (SKILL-BASED PAY)

An alternative compensation system in which pay is based, not upon the specific job the employee performs, but upon the number of skills or tasks the employee is capable of performing. Such pay systems are linked to flexible work assignments or both, rotating jobs, typical of self-managed work teams. Also called skill-based pay, knowledge-based pay, or multiskill compensation.

PAYROLL DEDUCTIONS

Amounts withheld from employees' earnings by the employer for Social Security, Federal and State income taxes, and other governmental levies, union dues, group insurance premiums, and other authorized wage assignments.

PAYROLL PERIOD

Frequency with which workers' wages are calculated and paid, usually weekly, biweekly, or semimonthly. Also used by wage and salary surveys to designate the reference date of survey data. For example, the BLS Employment Cost Index data are collected for the payroll period including the 12th day of the survey months of March, June, September, and December.

PEACE CORPS/VISTA LEAVE

Time off from work for an extended period of time (e.g., 1 or 2 years) to take an assignment in the Peace Corps or VISTA. Company policy and relevant collective bargaining provisions usually protect seniority during the time off as well as the right to return to work.

PENALTY RATE

Extra rate paid for particularly hazardous or onerous work. The term may apply to any premium or overtime rate. (See Hazard Pay; Premium Pay.)

PENSION BENEFIT GUARANTY CORPORATION (PBGC)

A Federal agency established under the Employee Retirement Income Security Act of 1974 (ERISA) to guarantee the payment of basic retirement benefits, within limits set by law, to participants of private defined benefit pension plans. PBGC programs are financed by premiums levied on employers sponsoring covered plans, investment returns on PBGC assets, and recoveries from employers responsible for underfunded terminated plans.

PENSION PLAN (RETIREMENT PLAN)

Pension or retirement plans are designed to provide funds to

retirees. (See Defined Contribution Plans; Defined Benefit Plans.)

PENSION PORTABILITY

Ability to maintain and transfer years of credited service or accumulated pension benefits from one employer to another.

PER DIEM ALLOWANCE

Daily add-on to pay for workers in travel status. Usually covers lodging, meals, and miscellaneous expenses related to travel.

PERKS (see Employee Purchases and Discounts)

PERQUISITES (see Employee Purchases and Discounts)

PERSONALIZED RATE (see Red Circle Rate)

PERSONAL LEAVE

Also known as general leave, personal leave provides employees with time-off from work for various purposes not covered by other types of leave plans.

PIECE RATE

Predetermined amount paid per unit of output to worker under a piecework incentive plan.

PIECEWORK

Method of wage payment based on the number of units produced, or any work for which piece rates are paid.

POINT OF SERVICE HEALTH PLANS

A type of health maintenance organization (HMO) that allows employees the option of using doctors and facilities external to the HMO. Employees who use the option typically pay a higher fee for the health services than if they were provided by the HMO's own physicians. These plans are sometimes called *open-ended HMOs*.

PORTAL-TO-PORTAL PAY

Payment for time spent traveling to and from the plant or mine entrance to the working site, or conceptually, for all time in the plant rather than time at the workplace. (See Travel Time.)

POST-RETIREMENT PENSION INCREASES

Adjustments to pension benefits being received by already retired employees. Postretirement pension increases may be at the discretion of the former employer or pension fund or may be automatic, usually based on changes in the Consumer Price Index.

PREADMISSION CERTIFICATION

Authorization given by a health benefits provider to a benefit recipient prior to hospitalization or before the delivery of certain health care benefits. Failure to obtain a preadmission certificate in nonemergency situations reduces or eliminates the health benefit provider's obligation to pay for services rendered.

PREFERENTIAL HIRING

Agreed upon arrangement whereby the employer gives preference in hiring to union members, to applicants with previous training and experience in the industry, to workers displaced from another plant or from another part of a particular plant, or by order of the National Labor Relations Board to employees found to be discharged on a discriminatory basis.

PREFERRED PROVIDER ORGANIZATION (PPO)

Preferred Provider Organization health plans offer a higher benefit for services rendered by designated health care providers although plan participants are free to choose any provider they wish.

PREGNANCY DISCRIMINATION ACT OF 1978 (PDA)

Federal act barring discrimination in hiring or at the workplace because a woman is pregnant or affected by childbirth or related medical conditions.

PREGNANCY LEAVE (see Maternity Leave)

PREMIUM PAY

Compensation at greater than regular rate. May refer to over-time, shift differentials, or penalty rates.

PRESCRIPTION DRUG PLAN

Health benefits plan provision covering outpatient drug prescriptions. Benefits may be subject to an annual deductible or may include a minimal copayment per prescription.

PREVAILING RATE (GOING RATE)

Term may be used in varying contexts. May refer to average level of wages paid by employers for specific occupations in a community or area; or rate most commonly paid; or rate paid to most workers; or rate established by union contracts.

PREVAILING WAGE LAW (see Davis-Bacon Act of 1931)

PROBATIONARY PERIOD

Usually a stipulated period of time (e.g., 30, 60, or 90 days) during which a newly hired employee is on trial prior to establishing seniority or otherwise becoming a regular employee. Sometimes used in relation to discipline (e.g., a period during which a regular employee, accused of misbehavior, is on trial). *Probationary employee* - a worker in a probationary period. Where informal probation is the practice, a worker who has not yet attained the status of regular employee may be called a *temporary employee*. (See Regular Employee.)

PROBATIONARY RATE

Trial rate of pay for an experienced and otherwise qualified worker during the initial period of his employment on a new job in a new plant.

PRODUCTION BONUS (see Bonus (Production and Nonproduction))

PRODUCTION WORKERS

Usually, employees directly involved in manufacturing or operational processes, as distinguished from supervisory, sales, executive, and office employees. The term “production and related workers” as used in Federal Government statistics is commonly defined specifically for survey purposes.

PROFIT SHARING (see Cash Profit-Sharing; Deferred Profit-Sharing)

PROGRESSION SYSTEM (see Wage Progression)

PROMOTION (see Upgrading)

PUSH MONEY

Money paid by a supplier of goods or services, directly or indirectly through the employer, to retail salespeople as an incentive to increase sales of the goods or services. Department store cosmetics sales persons often receive push money payments.

PYRAMIDING

Double payment of overtime rates for overtime work that may result from paying both daily and weekly overtime rates for the same hours of work; sometimes applied to any premium added to another premium rate.

QUALITY CIRCLES

Structured employee involvement groups operating in designated work areas that meet regularly to identify work related problems and to suggest solutions or improvements to management.

QUALITY OF WORK LIFE COMMITTEES

Committees existing at multiple organizational levels within a company charged with developing changes to improve performance and the quality of employees’ work life. If committees are established as part of a labor-management

agreement they do not address contractual issues such as pay and benefits.

QUASI-GOVERNMENT ESTABLISHMENT

Establishments that are controlled both by the government and private sectors through joint ownership of stock or joint membership on boards of directors or other controlling bodies.

RAILROAD RETIREMENT ACT OF 1935 (RRA)

Federal act establishing a nationwide program providing railroad employees with retirement benefits (old age, disability, and survivors' benefits) based on the individual worker's earnings and length of service in the railroad industry. Railroad workers are not covered by the Social Security Act.

RAILWAY LABOR ACT OF 1926 (RLA)

Federal law that established a framework for labor-management relations in the railroad industry and, later, the airline industry. Two agencies administer the Act: the National Mediation Board and the National Railroad Adjustment Board.

RATE CUTTING

A reduction by management of established incentive or time wage rates in the absence of comparable changes in job content, or any actions by companies in reducing wages.

RATE RANGE

The lower and upper limits of wage rates paid to workers in an occupation. For example, the rate range for a parts delivery driver job might be \$5.75 to \$7.25 per hour.

RATE SETTING

Process of establishing wage or piece rates for a job or operation.

REAL WAGES

Purchasing power of money wages, or the amount of goods

and services that can be acquired with money wages. An index of real wages takes into account changes over time in earnings levels as measured by an appropriate index (e.g., the Consumer Price Index).

RED CIRCLE RATE (OUT OF LINE RATE; FLAGGED RATE)

A wage rate exceeding the formal pay rate or range of rates for a job due to such factors as the employee's long service with the company, superior skills, or other factors.

REDUCTION IN FORCE (see Layoff)

REFERRAL BONUS

Money payment made to an employee as a bonus for aiding in the recruitment of another person hired by the company.

REGULAR EMPLOYEE

Usually, a full-time employee who has fulfilled formal or informal probationary requirements, as distinguished from seasonal, part-time, probationary, and temporary employees. (See Probationary Period.)

REGULAR RATE

Usually, basic rate of pay or the straight-time rate. The Fair Labor Standards Act defines "regular rate of pay" for overtime pay computations; collective bargaining agreements also usually define the term for calculation purposes (vacation pay, overtime, etc.).

REIMBURSEMENT ACCOUNTS

Accounts funded by employee pretax contributions to pay for health care deductibles, coinsurances, costs of services not covered by a health care plan, child care expenses, and the nonmedical expenses that allow a person to work while ensuring a qualified dependent's well-being. Accounts may be partially funded by employers.

RELIEF TIME

Time during which a worker is permitted to leave his work-

place, usually for personal needs, with his place being taken by a substitute when necessary. (See Rest Period.)

RELOCATION ALLOWANCE (MOVING ALLOWANCE)

Money paid to an employee to cover the cost of moving from one locality to another as a result of a permanent change in duty station. Payment may cover costs of moving personal items, real estate brokerage fees, the loss of money on the sale of the employee's residence, or the living costs for a period of time spent looking for a residence in the new locality.

REOPENING CLAUSE (WAGE REOPENER; BENEFIT RE-OPENER)

Clause in a collective bargaining agreement stating the time or the circumstances under which negotiations can be requested, prior to the expiration of the contract. Reopenings are usually restricted to wage or benefit issues and, perhaps, other specified economic issues, not to the contract as a whole.

REPORTING PAY

Minimum pay guaranteed to a worker who is scheduled to work, reports for work, and finds no work available, or less work than can be done in the guaranteed period (usually 4 hours). Sometimes identified as "call-in pay." (See Call-In Pay.)

REST PERIOD (COFFEE BREAK; BREAK TIME)

A short period of time set aside as a paid break from work.

RETIREMENT

Withdrawal from working life because of age, disability, etc. Traditionally, retirement occurs at age 65, when full Social Security benefits are available. The age at which such full benefits are available will gradually rise to age 67 for those born after 1937. Privately sponsored retirement plans typically provide *normal retirement benefits* at age 65 or earlier. *Early retirement benefits* are reduced benefits available at an earlier age, with reductions designed to account for the longer receipt of benefits. Plans may also offer *disability retirement*

benefits for those workers unable to continue working due to poor health. Also, *special early retirement benefits* may be provided by companies to encourage workers to retire as a result of a firm's merger with another firm, downsizing, etc. (See Pension Plan; Social Security Act.)

RETIREMENT PLAN (see Pension Plan)

RETRAINING

Development of new skills for workers through a defined program of on-the-job training or study or both, so that employees are able to qualify for new or different work, or new careers.

RETROACTIVE PAY

Wages due for past services, frequently required when wage increases are made effective as of an earlier date; or when contract negotiations are extended beyond the expiration date. (See Back Pay.)

ROLL UP

Incorporation of cost-of-living allowances or longevity pay into an employee's regular base pay rate or salary.

ROTATING SHIFT (see Shift)

ROUND THE CLOCK OPERATIONS (see Continuous Operations)

ROYALTY

As used by some unions, term for employer payments to health, welfare, or retirement funds. For professional workers, royalties are payments for work based upon a percentage of money received from the sale of a product (an invention, book, musical composition, etc.).

RUCKER PLAN (see Gainsharing)

RUNAWAY RATE (LOOSE RATE)

Piece rate or other incentive rate which, because of changed

technology or faulty rate setting, yields earnings that are substantially higher than earnings on other jobs with similar job requirements.

SABBATICAL LEAVE

Traditionally, for professional occupations (e.g., teachers, nurses, etc.) time off with pay usually up to 1 year following an eligibility period (e.g., 5 years, 7 years, etc.) to pursue projects that enhance and enrich professional knowledge. For nonprofessional workers, usually a shorter time period with pay (e.g., 5 weeks, 9 weeks, but up to 1 year) after completion of a longer eligibility period (e.g., 10, 15, or 20 years), but without limiting the time off to educational purposes.

SAFETY BONUS

A nonproduction bonus paid to employees for maintaining a high level of safety in the workplace. For example, all plant employees receive \$50 if the number of workplace accidents falls below a specified level. (See Bonus- (Production and Nonproduction Bonus.)

SALARY (SALARY RATE)

For workers hired on a weekly, monthly, or annual basis (e.g., clerical, technical, managerial employees), the rate of pay normally expressed in terms of dollars per week, month, or year, as opposed to payment for an hour of work.

SALARY REDUCTION PLAN (SAVINGS PLAN; THRIFT PLAN)

Plan authorized under Section 401(k) of the Internal Revenue Code that allows employees to divert a portion of their salary or wages to fund benefit plans. The money contributed to the benefit plan is not subject to Federal income tax.

SCALE (see Union Rate)

SCANLON PLAN

A formal program that has as its general objective the reduction of labor costs through increased efficiency and the sharing of the resultant savings among workers. The scope and details of the few plans bearing this name vary considerably. (See Gainsharing.)

SEASONAL EMPLOYMENT

Employment during part of the year only, arising out of the seasonal character of an industry or weather conditions at the location of an establishment. Agriculture, canning, construction, and logging are examples of industries that may have seasonal employment.

SELF-FUNDING (SELF-INSURANCE) PLANS

A fully non-insured (or minimally insured) plan in which no insurance company or service plan collects premiums and assumes risk for payment of benefits. The employer assumes the role of an insurance company and is responsible for paying all benefit claims by using money set aside for that purpose. The employer may also be self-funded (or self-insured) for only a set amount of claims with an insurance company assuming responsibility for claims in excess of a set amount per year. (See Stop Loss Insurance, Minimum Premium Plan.)

SENIORITY

Term used to designate an employee's status relative to other employees, as in determining order of promotion, layoff, vacations, etc. *Straight seniority* - seniority acquired solely through length of service. *Qualified seniority* - other factors such as ability considered with length of service. *Departmental or unit seniority* - seniority applicable in a particular section of a plant, rather than in the entire establishment. *Plantwide or companywide seniority* - seniority applicable throughout the plant or company. *Seniority list* - individual workers ranked in order of seniority. (See Superseniority; Inverse Seniority.)

SEP (see Simplified Employee Pension)

SERVICE CONTRACT ACT (SCA)

The McNamara-O'Hara Service Contract Act covers contracts entered into by Federal and District of Columbia agencies where the purpose of the contract is to furnish services (laundry and dry cleaning, janitorial, food, security, etc.) through the use of service employees. The Act requires contractors and subcontractors performing services on prime contracts in excess of \$2,500 to pay service employees in various work classes no less than the wage rates and benefits found prevailing in the locality. For contracts equal to or less than \$2,500, contractors are required to pay the Federal minimum wage.

SERVICE WORKER

Worker in a protective service, food service, health service (health and dental aides), cleaning and building service, or personal service occupation.

SETTLEMENT

The changes occurring in wages and salaries, benefits, and working conditions as a result of negotiations between the employer and the union representative of the employees. In first contract situations, it refers to the full agreement reached between the parties following recognition or certification of the union representative.

SEVERANCE PAY (DISMISSAL PAY OR ALLOWANCE; TERMINATION PAY; SEPARATION PAY; LAYOFF ALLOWANCE)

Monetary allowance paid by employer to displaced employees, generally upon permanent termination of employment with no chance of recall, but often upon indefinite layoff with recall rights intact. Plans usually graduate payments by length of service.

SHIFT (TOUR OF DUTY; TURN)

The daily working schedule of employees. *Day shift* - usually the daylight hours; *evening shift* - work schedule ending at or near midnight; *night (graveyard) shift* - work schedule start-

ing at or near midnight. *Fixed shift* - scheduled hours remain the same, week after week, for each group of workers. *Oscillating shift*- policy under which the work schedule of a work force alternates between two shifts. *Rotating shift* - practice whereby crews change their work schedules at periodic intervals, rotating between more than two shifts. *Split shift* - daily work schedule is divided into two parts or more. *Swing shift* - the fourth or rotating shift used on continuous 7-day or “round the clock” operations.

SHIFT DIFFERENTIAL (SHIFT PREMIUM)

Additional compensation (cents per hour or percentage of day rate) paid to workers employed at other than regular daytime hours.

SHORT-TERM DISABILITY PLAN

A benefit plan that provides full, partial, or a combination of full and partial pay, to employees who are unable to work because of a non-work related accident or illness. Short-term disability payments are normally paid for only a fixed number of weeks, typically 26 weeks. The benefit payment is either a percentage of an employee’s earnings or a fixed dollar amount per week.

SIC (STANDARD INDUSTRIAL CLASSIFICATION) (see North American Industry Classification System)

SICK LEAVE

Provides full or partial pay for time-off while an employee cannot work due to non-work related illness or injury. Workers may also be able to use sick leave for a doctor’s appointment or to take care of a sick child. Employees typically receive a specified number of allowed sick leave days per year, although some employers may allow workers to carry over and accumulate sick leave from year to year up to a specified maximum number. Sick leave plans may also provide additional sick leave days based on the length of service of

workers. For example, 10 days of sick leave are granted workers after 1 year of service, 14 days after 5 years, and 18 days after 10 years.

SICKNESS AND ACCIDENT BENEFITS (see Short-term Disability Plans)

SIGNING BONUS

A form of lump sum payment provided to employees upon ratification and signing of the agreement. May also refer to a bonus paid when an employee signs an employment contract. (See Bonus (Production and Nonproduction) and Contract Signing Bonus.)

SIMPLE PLAN (Savings Incentive Match Plan for Employees of Small Employers)

These plans allow businesses with 100 or fewer employees a way to offer retirement benefits through employee salary reductions and matching contributions, similar to those found in 401(k) plans. Eligible employees can contribute up to \$6,000 each year through payroll deductions. Employers may offer matching contributions equal to employee contributions (up to 3 percent of employee wages) or fixed contributions equal to 2 percent of employee wages.

SIMPLIFIED EMPLOYEE PENSION (SEP)

Specifically intended for small businesses, SEPs involve individual retirement accounts created by a firm for each of its eligible employees. In years that the employer makes contributions they must be made for all eligible employees. Employees have a vested right to the employer contributions made to their accounts and they have complete control over the investment and distribution of the employer contributions.

SINGLE RATE JOB

A job where the rate of pay is the same for all workers in the same job or job classification, without any longevity pay rates or pay steps.

SKILL BASED PAY (see Pay-For-Knowledge)

SOCIAL SECURITY ACT OF 1935

Federal law establishing a national social insurance program. The law provides for: Old-age, survivors' and disability benefits (an all-Federal program); public assistance to the aged, the blind, and to needy families; and unemployment insurance (both Federal-State programs). The coverage and other provisions have been modified several times since enactment of the program in 1935. (See Retirement.)

SPENDABLE EARNINGS (DISPOSABLE INCOME)

Earnings available for spending. As used by the Bureau of Labor Statistics, gross average weekly earnings less the estimated amount of the workers' Social Security and income tax liability. (See Take Home Pay.)

SPLIT SHIFT (see Shift)

STANDARD OCCUPATIONAL CLASSIFICATION MANUAL

The 1997 manual provides a classification system for the collection and publication of statistics covering occupations. It is used by Federal statistical agencies to classify the economy's occupations in a consistent manner.

STANDARD RATE

Usually, a uniform rate of pay established for an occupation or craft in an area or industry through collective bargaining or by law.

STATE UNEMPLOYMENT INSURANCE (SUI)

A legally required employee benefit that provides payments to workers who have been laid off from their jobs. The amount of the benefit payments and their duration in terms of number of weekly payments vary by each state program. Nearly all private sector establishments are covered by SUI laws, while State and local government agencies normally reimburse the state programs for any benefits paid to their former employees.

STEP RATES

Fixed levels between the minimum and maximum rates for an occupation in a wage progression system. (See Wage Progression.)

STINT WORK

Employment for a length of time covering only the completion of a particular project, for example, the delivery of new telephone directories. May also refer to payment of a fixed amount of money regardless of the amount of time required to complete an assigned task or job.

STOCK BONUS PLAN

A defined contribution plan financed solely by the employer, or jointly by the employer and employee. Contributions are placed in a separate trust fund that invests in securities, including those of the employing company. Upon retirement or separation from the company, proceeds from the trust fund are paid out to eligible employees in the form of company stock or cash.

STOCK OPTION PLAN

Plan allowing employees or officers the privilege of purchasing company stock (shares) at a certain price at a time of their own choosing, usually within time limits set by the employer.

STOCK PURCHASE PLAN

Plan enabling employees to purchase stock (shares) in the company, with or without employer contributions, usually under more favorable terms than are available on the open market.

STOP LOSS INSURANCE

Insurance that limits the amount of money an employer's self-insured benefits plan must pay from its own resources. Once claims for benefit payments reach a specified level, the company providing the stop loss insurance assumes responsibility for payment of claims.

STRAIGHT TIME PAY

Payment for work at an employee's regular pay rate (base rate), as distinguished from pay based on an employee's overtime pay rate, typically 1 ½ times the regular pay rate.

STRIKE BENEFITS

Union payments made to members who are on strike.

STRIKE FUND

Money allocated by a union or set aside in a separate account to pay strike benefits and to defray other expenses of strikes.

STRIKE INSURANCE

Payment by companies that are members of an association to a fund, or for the purchase of insurance, to reimburse a struck member company for lost business resulting from a strike by workers.

SUB (see Supplemental Unemployment Benefits)

SUBSIDIZED COMMUTING

Program where employers subsidize employees' cost of commuting to and from work via public transportation, a company sponsored van pool, discounted subway or bus fares, etc.

SUBSISTENCE ALLOWANCE

Payment to a worker for expenses of meals and lodging (and sometimes transportation) while traveling for the employer; or reimbursement of living expenses required by the nature of the job.

SUBSTANDARD RATE

Rate of pay below the established plant or occupational minimum, allowed for workers who are physically or otherwise unable to meet the production quota. The term also applies to rates below Federal or State minimum wages, "prevailing" levels, or union scales.

SUPERANNUATED WORKERS

Employees who are unable to perform their jobs, or any job, at the normal level because of advanced age and its attendant infirmities. *Superannuated rate* - rate of pay set below the regular pay level for a job and paid only to superannuated workers.

SUPERSENIORITY

A position on the seniority list ahead of what the employee would acquire solely on the basis of length of service or general seniority factors. Usually such favored treatment is reserved to union stewards, or other workers entitled to special consideration in connection with layoff and recall to work. (See Inverse Seniority.)

SUPPLEMENTAL PAY

Premium pay for overtime and work on weekends and holidays; shift differential pay; and nonwage cash payments.

SUPPLEMENTAL UNEMPLOYMENT BENEFIT PLANS (SUB)

Introduced by agreement between the Ford Motor Co. and the United Auto Workers in mid-1955 and subsequently adopted in the automobile, steel, and related industries, these plans provide regular weekly payments to laid off workers receiving State unemployment insurance, through funds financed by the employer. Other benefits (e.g., short workweek benefits and severance pay) were added to many plans.

SURVIVOR INCOME INSURANCE

An element of a life insurance plan that provides benefits as installments (annuity) to a beneficiary upon an employee's death. Only dependents of the deceased employee are eligible to be beneficiaries of this benefit.

SWING SHIFT (see Shift)

TAFT-HARTLEY ACT (see Labor Management Relations Act 1947)

TAKE HOME PAY

Usually, earnings for a payroll period, less deductions (legal and authorized); the amount of cash the worker “takes home.”

TARGET BENEFIT PLAN

A defined contribution plan where employer contributions are based upon an actuarial valuation designed to provide a “target benefit” to each plan participant upon their retirement. The plan does not guarantee that the “target benefit” amount will actually be paid. (This would be a requirement under a defined benefit plan.) A target benefit plan’s only obligation is to pay whatever benefit can be provided by the amount in each participant’s account. Target benefit plans are a hybrid of a money purchase plan and a defined benefit plan.

TAX DEFERRED DEFINED CONTRIBUTION PLANS (see Defined Contribution Plans)

TELECOMMUTING

Work at satellite offices or at home using a computer and related equipment that links the telecommuter to the employer’s main office. The telecommuter may be required to spend some time (e.g., 1 or 2 days each week) in the main office. (See Homework; Flexible Workplace.)

TEMPORARY DISABILITY INSURANCE (see Short-Term Disability Insurance)

TEMPORARY EMPLOYEES (see Contingent Worker)

TEMPORARY RATES

Wage or piece rates set tentatively on new job tasks performed by workers in an occupation; sometimes called experimental or trial rates.

TERMINATION PAY OR ALLOWANCE (see Severance Pay)

THIRD PARTY ADMINISTRATOR (TPA)

An entity other than the employer or employee organization that administers a benefit plan or benefit trust fund. TPAs may provide services related to benefit claims administration and payment, COBRA rate administration, data management and government forms reporting, managed health care plans, prescription drug card administration, hospital concurrent review, second medical opinions, employee assistance plans, actuarial services, etc.

THRIFT PLAN (see Salary Reduction Plan)

TONNAGE RATE

Pay on the basis of tons of material handled, common in basic iron and steel and coal mining.

TOOL ALLOWANCE

Allowance to an employee, paid by the employer, as reimbursement for the cost of tools and their upkeep, where the employee furnishes his own tools or is responsible for their maintenance.

TOTAL COMPENSATION

All types of employee compensation combined: Wages and salaries, non-wage cash payments, and the employer's cost of employee benefits.

TRADE UNION (see Union)

TRAINEE

A worker receiving formal on-the-job training.

TRAVEL ACCIDENT INSURANCE

A specific form of accidental death and dismemberment insurance providing payments to beneficiaries in the event of death or injury of an employee who is traveling on company business.

TRAVEL TIME

Time spent traveling to and from a designated point and the work site. Such time may be paid for as portal-to-portal pay in mining, deadheading on railroads, and out-of-town work in construction.

TRUSTEE

A person, bank, or trust company who administers and takes responsibility for a trust fund, or a person who is a member of a board of trustees. (See also Fund.) Sometimes may be applied to the person appointed to administer the affairs of a union placed under trusteeship in accordance with a union constitution, or appointed by a Federal court in accordance with Federal law.

TUITION PAY PLAN (see Educational Assistance)

TURN (see Shift)

TWO-TIER WAGE OR BENEFIT SYSTEMS

Wage payment structures in which employees hired after a specified date are paid a lower wage rate or a lower level of benefits than employees hired before that date. In some labor-management contracts, provision may be made to merge the two tiers into one with payment based on the higher wage rate after passage of a specified time period.

UNEMPLOYMENT INSURANCE (UNEMPLOYMENT COMPENSATION)

Joint Federal-State program, established in 1935 under the Social Security Act and subject to the standards set forth in the Federal Unemployment Tax Act, under which State administered funds obtained through payroll taxes provide payments to eligible unemployed persons for specified periods of time. Levels of benefits and tax rates are established by each State. Generally excluded groups include, among others, railroad workers (covered by Railroad Unemployment

Insurance Act), agricultural workers, State and municipal employees, and workers in nonprofit institutions. The Federal part of the program is administered by the U.S. Department of Labor. See also Supplemental Unemployment Benefit Plans (SUB).

UNIFORM ALLOWANCE (see Clothing Allowance)

UNION (TRADE UNION; LABOR UNION; LABOR ORGANIZATION)

Any organization in which workers participate as members, which exists for the purpose of dealing with employers concerning grievances, wages, hours, and conditions of employment. Unions are voluntary organizations and need no license from the government to operate. Unions may incorporate if they wish.

UNION CONTRACT (see Agreement)

UNION DUES

Fee paid periodically, usually monthly, by members of a union, typically as a condition of continued membership. Each union sets its own dues requirements. Under some collective bargaining agreements, nonmembers may be required to pay the equivalent of union dues or a portion as a condition of continued employment.

UNION LEAVE

Paid or unpaid, but excused, leave for union representatives, shop stewards, etc., to attend to union business (e.g., participating in union conventions, investigating grievances, etc.).

UNION-MANAGEMENT COOPERATION (see Labor-Management Cooperation)

UNION MEMBER

In broad terms, a union member is a worker who has met the union's qualifications for membership, has joined the union,

and maintained his or her membership rights. Each union usually determines its own qualifications. *Dues paying members* pay dues regularly to the union. *Members in good standing* - include dues paying members and members exempted for various reasons (unemployed, on strike, ill, etc.) but still carried on the union rolls as full-fledged members. *Book members* - are listed on the union rolls, whether they pay dues or not.

UNION RATE (SCALE)

Minimum rate (hourly or weekly) paid to qualified workers in a specific occupation or trade under the terms of a union agreement.

UNION SECURITY

Protection of a union's status by a provision in the collective bargaining agreement establishing a closed shop, union shop, or agency shop. *Closed shop* provisions require an employer to hire and retain only union members in good standing. *Union shop* provisions require newly hired employees to become union members within a specified period of time, typically 30 days, and to remain as members of the union as a condition of continued employment. *Agency shop* provisions require that all employees who do not join a union pay a fixed amount monthly, usually the equivalent of union dues, as a condition of employment to help defray the union's expenses in acting as the bargaining agent. The payments may be allocated to the union's health and welfare fund or to a charity group. Union security may also be enhanced by *maintenance of membership arrangements*, whereby employees who are members of a union at the time a contract is negotiated, or who join the union subsequently, must maintain their membership for the duration of the contract as a condition of continued employment.

UNION SHOP (see Union Security)

UPGRADING

Process of raising the pay level of a job relative to other jobs

or of advancing workers to jobs with higher skills and rates of pay.

USUAL, CUSTOMARY, AND REASONABLE CHARGES (UCR)

Standard applied to charges assessed by health care providers. Normally refers to not more than a physician's usual charge, within the customary range of fees in the locality, and reasonable, based on the patient's medical circumstances. Normally a health benefits plan will pay all or a portion of expenses incurred up to the UCR charge; expenses above the UCR charges must be paid by the patient.

VACATION PAY

Wages received by an employee for his vacation period. See also Paid Vacation. *Pay in lieu of vacation* - vacation pay to workers who do not take the actual time off, paid in addition to wages for time worked.

VESTING (VESTED RIGHTS)

Amount of time an individual must work before earning a nonforfeitable right to a pension benefit. When a worker is fully vested, the accrued benefit will be retained even if the worker leaves the company before reaching retirement age. Usually employees are fully vested if they are employed by the company when they reach the pension plan's normal retirement age. Under ERISA rules, employees must also be able to earn a vested right to an accrued benefit through completing specific amounts of service.

VISION CARE PLAN

Benefits cover eyeglasses and with few exceptions, eye examinations. Plans may also include coverage for contact lenses.

WAGE (see Wage Rate)

WAGE ASSIGNMENT

Voluntary transfer by a worker of some of his or her earned wages to another party, e.g., for the payment of purchases or debts, union dues or assessments, or charity contributions. (See Garnishment.)

WAGE DETERMINATION

Process of establishing wage rates and wage structures through collective bargaining, employer determination, arbitration, or other methods.

WAGE DIFFERENTIALS

Differences in wages among occupations, plants, areas, industries, type of worker, etc.

WAGE FREEZE

Action taken to freeze all employees at their current wage or salary rate, nullifying anticipated increases due to longevity pay, merit increases, cost-of-living adjustments, within-grade pay increases, etc. Normally taken as a temporary measure in response to poor sales or a decrease in company profits.

WAGE-HOUR LAW (see Fair Labor Standards Act of 1938)

WAGE LEADERSHIP

Influence exercised by the wage settlement reached by a large firm or group of firms on other negotiations in the same industry or area.

WAGE PATTERN

A wage (or benefit) change negotiated by a major company that is followed by similar changes in other companies in the industry or area.

WAGE PROGRESSION

Plan providing within grade pay increases, generally at speci-

fied time intervals or on a merit basis, for workers in occupations having established minimum and maximum wage rates. (See Automatic Progression; Step Rates.)

WAGE RATE

Monetary compensation paid by an employer to a worker for a given unit of worktime, normally an hour, exclusive of premium payments for overtime, shift differentials, cost-of-living allowances, etc.

WAGE REOPENER (see Reopening Clause)

WAGE SCALE (WAGE SCHEDULE)

A schedule specifying the pay structure for an establishment, industry, or locality. May also refer to a single rate. (See Union Rate.)

WAGNER ACT (see National Labor Relations Act, 1935)

WAITING PERIOD

Duration of time between beginning of a benefit qualifying event and the start of actual benefit receipt. For example, a short-term disability plan may have a 5-day waiting period before benefits will be paid. Other benefits, such as sick leave, may be available during this waiting period.

WAITING TIME (see Downtime)

WELLNESS BENEFITS

Preventive insurance benefits such as payments for annual physical examinations, mammograms, and children's vaccinations.

WELLNESS PROGRAMS

Programs encouraging employees to improve their physical well being including on-site exercise programs or health clubs, programs to help employees stop smoking, stress management, high blood pressure control, weight control, health risk

appraisals, back care, nutrition education, etc.

WHITE-COLLAR WORKERS

Office, clerical, administrative, sales, professional, and technical employees, as distinguished from production and maintenance employees who are usually referred to as blue-collar workers. The National Compensation Survey's series for white-collar workers cover the following four occupational groupings: Professional specialty and technical; executive, administrative, and managerial; sales; and administrative support, including clerical. (See Blue-Collar Workers.)

WORK SCHEDULE (DUTY HOURS; DUTY TIME)

A listing of the starting and stopping times of work for individuals or groups of employees. Especially useful in planning coverage in industries where the demand for workers varies with service hours (e.g., retail trade) or in continuous operations industries having rotating shifts (e.g., steel).

WORKERS' COMPENSATION

A system of insurance required by State law and financed by employers which provides payment to workers or their families for occupational illness, injuries, or fatalities resulting in loss of wage income.

WORKWEEK (WORK SCHEDULE)

Usually, the expected or actual period of employment for the week, usually expressed in number of hours. Some uses of the term may relate to the outside dimensions of a week (e.g., 7 consecutive days).

YEAR END BONUS (see Bonus (Production and Nonproduction))

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