

## Core Compensation Terms

### 1. Base Salary

- The fixed annual or hourly amount paid to an employee for performing their job.
- *Example:* \$80,000/year or \$40/hour.

### 2. Wages

- Pay calculated based on hours worked; usually applies to non-exempt (hourly) employees who may qualify for overtime.

### 3. Overtime Pay

- Extra compensation (often 1.5x the hourly rate) for hours worked beyond a standard workweek (typically 40 hours in the U.S.).

### 4. Commission

- Earnings based on performance, usually linked to sales or measurable goals.
- *Example:* 5% commission on each sale.

### 5. Bonus

- Additional pay to reward performance or company success.

#### Common types:

- **Performance Bonus:** Tied to personal or team objectives
- **Annual Bonus:** Based on company performance
- **Signing Bonus:** Given when joining a company
- **Retention Bonus:** Offered to keep key employees during transition periods

### 6. Incentive Pay

- Specific rewards for achieving certain performance targets; may be short-term (quarterly goals) or long-term (multi-year).

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## Equity & Long-Term Incentives

### 7. Stock Options

- The right to purchase company shares at a predetermined price (the “strike price”) after vesting.

## **8. Restricted Stock Units (RSUs)**

- Shares granted to employees that vest over time or when performance criteria are met.

## **9. Employee Stock Purchase Plan (ESPP)**

- Allows employees to buy company stock, often at a discount.

## **10. Profit Sharing**

- Employees receive a portion of company profits, typically distributed annually.

## **11. Deferred Compensation**

- Pay earned now but received later, often used as a retirement savings or tax strategy (e.g., 401(k) contributions).



## **Benefits & Allowances**

### **12. Benefits Package**

- Non-cash rewards such as health insurance, retirement plans, paid time off, and wellness programs.

### **13. Allowances**

- Additional funds to cover specific expenses (e.g., housing, transportation, meals, mobile phone).

### **14. Perks (Perquisites)**

- Non-essential benefits that improve quality of life, like gym memberships, tuition reimbursement, and flexible work hours.



## **Pay Structures & Policies**

### **15. Pay Grade / Pay Band**

- A standardized range that defines minimum and maximum pay for roles at a certain level.

## 16. Market Rate

- The average pay for similar roles in a particular industry or geographic location.

## 17. Competitive Compensation

- A package designed to match or exceed market rates to attract and retain talent.

## 18. Total Compensation

- **Base Salary + Variable Pay + Benefits + Equity.**  
A holistic view of everything an employee earns.

## 19. Cost-of-Living Adjustment (COLA)

- An annual pay increase to counter inflation or reflect changes in the cost of living.

## 20. Pay-for-Performance

- A compensation approach linking employee pay directly to measurable results.
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## Regulatory & Compliance Terms

### 21. Exempt vs. Non-Exempt

- **Exempt:** Not eligible for overtime (usually salaried).
- **Non-Exempt:** Eligible for overtime (usually hourly).

### 22. Minimum Wage

- The lowest pay rate legally allowed for work, defined by government laws.

### 23. Pay Transparency

- The practice of disclosing salary ranges and factors influencing pay decisions.
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