CAREER **CENTER**
UNIVERSITY OF NORTH CAROLINA PEMBROKE

Job Offer Negotiation Workbook

Negotiation Definitions:
1a: to confer with another so as to arrive at the settlement of some matter

1b: to deal with (some matter or affair that requires the ability for its' successful handling)

1c: to arrange for or bring about through conference, discussion, and compromise

"Salary negotiation is a rational process that should be founded on personal value, needs, and economic factors. The basis of an effective negotiation is a thorough analysis of information."

NEGOTIATION PROCESS

When you receive an offer or preferably "Multiple Simultaneous Offers" begin the following step-by-step procedure that will lead to greener pastures.

"**Never discuss salary until you actually have a job offer."**

Why? Because if you divulge a number, you could either price yourself out of a job before the employer is convinced they need you, or under-price yourself and receive a "Low Ball" offer. So, if salary is mentioned during any interview feel free to ad-lib any of the following responses:

1. It's Negotiable!
2. My salary requirements are open or negotiable.
3. My salary requirements are flexible.
4. Although salary is an important factor, what I am looking for is "**Opportunity!"** So after we are through discussing all that I have to offer you in this position, I would like to entertain your "**Strongest"** offer.
5. I prefer to discuss salary when I receive a firm offer. Does this mean you are making me an offer?
6. I like to leave salary open for negotiation until you have a chance to see all of my qualifications and how they match your requirements.

Waiting until you are offered the job gives you the leverage you need to negotiate for a higher salary, but if you have someone who is insistent that you give them a number, give them a range **"A very large range!"**

Step 1. Request your offer in writing.

Offers usually contain the following:

1. A letter explaining your future position.
2. Salary in usually monthly or annual increments.
3. Bonuses (if applicable, signing, performance, profit sharing, etc.)
4. Stock options (if applicable).
5. Relocation (if applicable),
6. The start date of your employment.
7. The deadline they expect you to answer with an acceptance or rejection.

   (This is all covered in detail on the Negotiation Worksheet.)
8. The package should also contain additional letters or pamphlets explaining any or all of your benefits. The reason I say "any or all" is because some things are left out intentionally, and if you don't know what they are, you will either not receive them, or find out latter that they are weak and costly.

Because most of the offers have a deadline, **the first thing many job seekers negotiate is MORE TIME.** Please put yourself in the employer's shoes when you are negotiating more time. They have a need to fill the position, and usually have their own deadlines to work with. This has led to several types of offers like the ones described below.

1. The "Exploding" offer, that literally states a date when the offer is no longer good.
2. The "Carrot Dangling" or "Early Bird" offer, which provides several deadlines and additional compensation for early acceptance.
3. The "Gracious" offer, which usually comes from an internship, where the employer says that your offer is good for as long as you need to make your decision. Some successful interns have reported that the employer told them to go and solicit other offers, then come back to them to let them make an offer.
4. The "Standard" offer, that will give you anywhere from two days to three months to make a decision.

No matter which kind of offer you receive, a simple question can get you more time if you need it. Yes, even the "Exploding" offer can be extended, if they really want you.
Asking for more time to consider offer examples:

1. If I were to ask for 2 more weeks to make my decision, would this offer still be good?
2. I am carefully evaluating your offer, but I want to discuss it thoroughly with my (family, spouse, significant other) before I make this decision and I won't be able to do this until the next school break, which is: ___. Can you extend the deadline until I return on ___?
3. As you know, I have several offers to choose from, and although I am leaning toward your company, I am still gathering important data that will help me make a better choice. Can I ask for an extension of _______ to make sure I make a thoroughly informed decision?
4. I understand your need for an answer by the deadline in your offer, but because I have been focusing all of my time toward school, I could really use more time to thoroughly evaluate the opportunity. If I ask for an extension until March 30th, will this offer still be good?
5. Can I have at least 2 more weeks to make my decision?

Step 2. Fill out the "Negotiation Worksheet" with the information from your offer.

Effective salary negotiation is thorough analysis of information based on a rational process, founded on personal value, needs, and economic factors. Without a checklist of benefits that could be potentially available, your negotiation can be significantly limited. **So, use the worksheet!**

This worksheet is designed to:

1. Show you what might be contained in typical employment offer packages. It is in no way a complete list of possible options, perks, or benefits that may come your way because of occupational or industry affiliation.

    a. Sometimes the salary offered may seem low, and you may wonder if you should turn down the job, but don't decide until you figure in the value of potential benefits and perks. They can add up to 40 percent to your base salary.

    b. Some benefits are fixed, but others are negotiable. Negotiable benefits include stock options, bonuses, employee discounts, tuition reimbursement, vacation time and sick leave. Perks include company cars, club memberships, parking, expense accounts and use of the company accountants or staff attorneys for personal matters.

2. Allow you to display all of the important data for each offer on one page to compare and analyze.

3. Insure you don't leave out important factors that may be weak in the offer and potentially yield other areas as negotiable. For instance:

    a. No "Signing Bonus" because the company doesn't pay one, could lead to an increased relocation package based on your needs.
    b. No "Relocation Allowance" because you are remaining in the local area, could lead to a signing bonus to cover expenses that you may incur when moving from student housing to more permanent residence.
    c. Lack of or weak performance incentives could lead to an increase in salary when you stress your value or compare one offer to another.
    d. Lack of or low valued "Stock Options" can lead to an increase in salary because of the obvious lack of value.
    e. Weak or incremental start and increase rates for a 401K can lead to an increase in salary because planning for retirement shouldn't be forced procrastination.
    f. Weak or probationary period "Health Benefits" can lead to an increase in salary to make up for the personal loss you may incur by having to pay for COBRA, Annual Deductions and general out-of-pocket costs.
    g. Little or no corporate "Life Insurance" can lead to an increase in salary to cover your own limited personal policy.
    h. Cost of living differences can lead to increases in salary, signing bonus, relocation allowances and other benefits based on your personal or family needs.

4. The worksheet is also designed to make you evaluate factors that should be important in making a career decision such as: family happiness, weather, availability of resources to support your interests and hobbies (not much snow skiing in Florida), opportunities for growth, career enhancing, and tuition assistance for both personal and professional development.

Use the worksheet! If you need more, just make copies.

University of North Carolina Pembroke
Career Center

Negotiation Worksheet

Date of initial offer: ___________________

Negotiable items	Initial Offer from the Company:	Your response date:	Revised Offer from the Company:
Base Salary	$		$
Signing Bonus	$		$
Relocation Allowance	$		$
Basis for Performance Bonus / Commission	❑ Personal ❑ Historical Data	❑ Team ❑ Company	Formula ______________ % ____________________
Performance Review	How Often #____________________	Potential % salary increase	%____________________
Relocation Allowance $ Amount Offered $ __________________	Transportation Paid ❑ Yes ❑ No	Household Shipment ❑ Yes Limit? $______________ ❑ No	Temporary Lodging / Meals ❑ Yes # Days allowed _______ ❑ No
Stock Option Purchase ❑ Yes ❑ No	#of shares #____________	over # of years #_____________	Shares Years #_________ #_________
Profit Sharing (401K) Start Date:__________________ Vesting Date: _________________	Company Match Yes / No If Yes, How much __________%	Does it increase over time? Yes / No How Often ________________ How Much ______________%	Pension (401A) Start Date: _________________ Vesting Date: _______________
Health / Dental Benefits	Start Date: _____________ Out of pocket $__________	Life Insurance $ Amount _____________	Personal Cost ❑ Yes If yes, how much $__________ ❑ No
Vacation Days # ___________________	Holidays # ___________________	Accumulative? ❑ Yes ❑ No	Pay for unused days? ❑ Yes ❑ No
Cost of Living Index for Company Location # ______________________	Tuition Reimbursement ❑ Yes ❑ No	Value / Quality of Training program $______________________	Rate: (5 Highest) 5 4 3 2 1
Intangibles Etc…____________________	❑ Weather	❑ Family Happiness	❑ Personal Hobbies / Interests
Opportunity for Growth? ❑ Yes ❑ No	How Soon? ______________________	Career Enhancing? ❑ Yes ❑ No	Personal Development? ❑ Yes ❑ No

List of Potential Employee Benefits

Educational Re-imbursement
- Personal development
- Scholarships for children
- Training in literacy/ job skills
- Tuition reimbursements

Travel/Transportation
- Preferred rates
- Frequent flyer miles
- Mass transit subsidy
- Van pool
- Carpool match-ups
- Moving expenses
- Re-location services
- Housing allowance
- Company car
- Car allowance

Employee Incentive/ Convenience
- Matching gifts
- Volunteer recognition
- Employee recognition
- Anniversary programs
- Parking
- Direct deposit
- Automated teller machines
- Food services/paid meals
- Bonuses for productivity
- Overtime
- Payroll deduction for automobile
- Legal services
- Loans or salary advances
- Severance
- Discount program (company products/other)
- Credit cards with reduced interest and membership fees

Recreation
- Competitive teams
- Picnic grounds
- Country club membership
- Cultural events program
- Entertainment tickets
- Government
- Social security retirement/disability
- Medicaid/Medicare
- Workers' compensation
- Unemployment insurance
- Supplemental security income
- Family
- Child care
- Child care center
- Sick child care program
- Dependent care resource/referral
- Dependent care re-imbursement account
- Discounts with local providers of family assistance
- Family/maternity leave
- Adoptive, bereavement, emergency, eldercare, sick, or disability leave
- Sabbaticals
- Various time arrangements like Flex-time, work at home, part time, job sharing
- Psychiatric or marital counseling
- Home purchase assistance
- Accident insurance for children/spouse
- Eldercare
- Employee assistance program
- Savings
- US Savings Bond purchase
- Credit union
- 403(b)
- 401(k)
- Matching savings plans
- Deferred compensation bonus plan
- Cash accumulation funds
- Thrift savings
- Lifestyle
- Life insurance
- Vacation
- Paid holidays
- Home entertainment allowance
- Financial counseling and tax return preparation
- Computer
- Survivor income benefits
- Dependent life insurance
- Funeral leave
- Jury duty/ military leave
- Flexible spending accounts
- Retirement counseling
- Health & Medical
- Health Insurance
- Physical Exams
- Fitness Center
- Employee Assistance Programs
- Wellness Program
- Health Screenings
- Sickness/accident insurance
- Short/Long term disability insurance
- Dental care
- Vision care
- Club membership
- Self-defense classes

Step 3. Develop a list of questions and concerns that you are not able to find in your offer package.

These questions will be easy because they come as a direct result of filling out the Negotiation Worksheet.

Here is a list of potential questions:

1. What factors were used in determining your salary offer?
2. Do you offer a signing bonus? (If they didn't offer.)
3. Since my home isn't in North Carolina, can we discuss a possible relocation allowance to retrieve my household effects from storage?
4. Are there any bonuses?
5. Would you please explain how the performance bonus program works?
6. What was the average performance bonus last year?
7. Is there an opportunity for a profit sharing bonus?
8. If yes, what is the basis for evaluation?
    a. Personal Performance?
    b. Team Performance?
    c. Company Profit?
    d. Historical data related to accomplishments?
9. When will I be eligible for a salary increase?
10. What incentives are available for a superior performer like me?
11. When will I receive a performance review?
12. I do have a concern about the relocation package because there are many expenses in moving that this offer will not cover. Is there room for improvement here?
13. Am I expected to use this relocation allowance for all of my transportation costs?
14. Can I receive any allowance for driving my personal vehicle to my new location?
15. Does this cover shipment of household goods? Car?
16. Can I expect reimbursement for lodging while looking for permanent housing?
    a. If so, what is the maximum time allowed?
17. Am I eligible for stock options?
    a. If yes, how many and at what price?
18. Is there a 401K program?
    a. If yes, is there a company matching percentage?
    b. How long does it take to be vested?
19. Is there a 401A or pension plan?
    a. If yes, how does it work and when is the vesting date?
20. I understand that Health & Dental Insurance are provided, but what are the potential out-of-pocket costs associated with the different plans?
21. Are vacation days cumulative, or is it a use them or lose them policy?
    a. If vacation days are not used, can an employee be reimbursed for unused days?
22. Does the company have a tuition reimbursement program?
    a. If yes, does this include repayment of loans I have already incurred?

Step 4. Call to clarify and / or find out all of the information needed to complete the Negotiation Worksheet.

- Begin you conversation by letting the person you are talking to know that you are **not negotiating**, that you are only asking questions to clarify their offer.

- Let them know you are gathering data to make a careful and complete evaluation to compare their offer to others you have.

- The following are examples of questions that might be asked on an "as needed" basis, based on information that cannot be determined from the offer package. These are determined by evaluating data contained on your "negotiation worksheet" from the previous pages. The following statements are only suggestions, but remember to update the negotiation worksheet with the answers you receive. These answers will be used to develop your negotiation strategy after determining which company you actually decide to negotiate with.

1. **Would you please tell me what factors were used in determining your salary offer?**
    - The answer you receive from this question will provide you with two things. One, if they thoroughly evaluated all of your qualifications. Two, information you need to stress any further qualifications you may have that might increase your value. "One student asked this question, and when the company reviewed their own criteria, they found that the initial evaluation wasn't completed correctly, and they made her a counter offer without negotiation."
2. **Is there room for improvement?**
    a. (**Be prepared to answer some of the following questions the employer might ask.)**

    Why do you ask?
    - The main reason is to see if I provided you with all of my qualifications and, by understanding which factors you used, see if I there is anything else I can stress in my favor.

    What salary are you looking for?
    - I'm not negotiating right now, just asking questions to clarify all the information compared to other offers so I can make the best choice and determine where there are possibilities for improvements.

    What will it take to bring you on board?
    - First, I want you to know that although money is an important factor it is not the only factor in making my decision. I am carefully evaluating every offer I receive so I can compare the data and make the best choice with the most opportunity for my long term career goals.

    Do you have any other offers? (Don't lie about this!)
    - No, but I expect some soon.
    - Yes, I have several competitive offers.

3. **What is the maximum salary increase available for excellent performance?**

    - Make sure you find out if the company performance reviews are all done at a prescheduled date to determine where you stand in terms of how long you may have to wait for your first review.

    - If performance reviews are completed in January and you must have a minimum of 12 months to be evaluated; by starting in the middle of the year you might have to wait more than 12 months to be evaluated.

    - This is a reason to increase salary, or ask for an early review during negotiation.

Step 5. Complete a "Cash Flow Worksheet" based on Cost of Living Expense at the location of each offer.

This one should be a proverbial "No Brainer!" If you don't do this, how can you know what it will cost to live? One student was offered a position with a consulting firm in Los Angeles, and after she completed this worksheet, she discovered that she would need a second job to live there. **Obviously a very big negotiation point!**

Cash Flow Worksheet

Expenses

Home

Mortgage or rent (estimated) ___________

Electricity (estimated) ___________

Gas (estimated) ___________

Water and sewer (estimated) ___________

Telephone ___________

Property taxes (estimated) ___________

Homeowner's insurance ___________

Household help ___________

Furniture ___________

Other household items ___________

Home maintenance (estimated) ___________

Other household maintenance costs ___________

Other ___________

Family

Food and grocery ___________

Clothing ___________

Laundry and dry cleaning ___________

Toiletries ___________

Medicine ___________

Health care costs not covered by insurance ___________

Child care ___________

Children's camp ___________

Birthday, holiday, and other gifts ___________

Education ___________

Health insurance ___________

Dental expense ___________

Dental insurance ___________

Life insurance ___________

Disability insurance ___________

Other insurance expense ___________

Other ___________

Transportation (estimated) ___________

Gasoline (estimated) ___________

Auto insurance ___________

Auto maintenance (estimated) ___________

Auto registration ___________

Other auto expense ___________

Other travel expense ___________

Other ___________

Leisure

Vacations (estimated) ___________

Club memberships (estimated) ___________

Books and magazines ___________

Movies and theater (estimated) ___________

Cable television (estimated) ___________

Restaurants (estimated) ___________

Other ___________

Income taxes

Federal withheld tax ___________

Federal estimated ___________

State withheld tax ___________

State estimated ___________

Other	___________
Other Miscellaneous	
Installment loans	___________
Payroll savings	___________
IRA contributions	___________
Keogh contributions	___________
401(k) contributions	___________
Investment expenses	___________
Attorney's fees	___________
Accountant's fees	___________
Charitable contributions	___________
Political contributions	___________
Other	___________
Total Expenses	___________

INCOME

Spouse's salary	___________
Commissions	___________
Spouse's commissions	___________
Bonus	___________
Spouse's bonus	___________
Income from business	___________
Dividends	___________
Interest	___________
Rent paid to you	___________
Income from trusts	___________
Gifts to you	___________
Alimony received	___________
Pensions	___________
Social security	___________
Other retirement income	___________
Tax refunds	___________
Other	___________
Total Income	___________
Less Total Expenses	___________
Total Surplus (Shortfall)	___________

Minimum Salary Requirement: ___________

Average Salary for the position: ___________
(www.salary.com)

Salary Goal: ___________

Here are some on-line resources to help you with determining cost of living factors:
http://dinkytown.net/java/HomeBudget.html
http://www.cc-bc.com/budget_analysis.htm
http://www.moneyminded.com/incomego/start/a7budw15.htm
http://clickcity.com/index2.htm
http://verticals.yahoo.com/cities/
http://www.homefair.com/calc/movecalcin.html
http://www.homefair.com/calc/citysnap.html
http://nt.mortgage101.com/partner-scripts/1150.asp?p=nationwidemtg
http://www.lib.umich.edu/libhome/Documents.center/steccpi.html
http://cost-of-living-comparison.homestore-moving.com/

Step 6. Follow steps 1 – 4 for every offer you receive.

Step 7. Make an informed decision on which company you want to begin negotiation.

Once you have **evaluated the Negotiation Worksheet** for each offer, **make a choice** of the company you would like to work with. Evaluate every option to **determine areas of need or weakness**.

Step 8. Make an appointment or call company to negotiate additional compensation.

<u>Negotiation:</u>

1 a: to confer with another so as to arrive at the settlement of some matter
1 b: to deal with (some matter or affair that requires ability for its successful handling)
1 c: to arrange for or bring about through conference, discussion, and compromise

Needs should be based on actual quantifiable information, not a statement that says "I need more money for relocation," or "I need more salary." The more tactfully you ask, the more they are willing to help. Remember, you eventually want to work with this person and company, so show both respect and consideration.

Here are some phrases that may be helpful:

"You have given me a deadline of tomorrow to make my decision, but to be honest; I really need more time to make such an important choice for my future. If I were to ask for another two weeks to make my decision, would your offer still be available?"

"We discussed the factors included in your evaluation of my qualifications and I would like to add that I have much more to offer in the area of ____________ that may not have been considered. Can we discuss the value of these additional qualifications?"

"You know I have another offer that is significantly larger than yours, but I'm leaning toward your company because I like the opportunities and cultural fit better. My main concern though, is that it is hard to pass up the monetary benefits of the other offer. I would really like to discuss a way to make your offer stronger, to make it easier for me to turn down the competition."

"After a thorough evaluation of the offer package, I have a concern I would like to discuss before I make my decision to accept. I am really leaning toward your company, but I have another offer that is significantly larger than yours. If you can increase your salary offer by 5% I will be able to make my decision within 48 hours."

I realize that you cannot change the 401K program which won't allow me to participate for a year, but I used most of my savings for school and I would like to begin saving for my future by starting an IRA as soon as possible. Is it possible to increase my salary by $2,000.00 to help me start immediately?

"Based on my research of actual costs, I calculate my relocation to be a minimum of $8,500.00 instead of $3,000.00; can you help me make up this difference?"

"Since my health insurance will not start for 3 months, COBRA will cost me ($400 Single / $1200 Married) a month. Is there a way for your insurance to start sooner, or can we discuss additional compensation to cover the cost of this insurance during this period?"

"As a student I have been in a negative income status, so several items in my personal and professional budget for transportation and clothes were cut. Also, moving to a different climate will require me to add additional items to my wardrobe at a considerable cost. I want to be able to begin work without the worry of my car breaking down or looking unprofessional to our clients. So, can we discuss (a signing bonus, or an increase in the signing bonus) to help me cover this additional expense?"

"After reviewing your entire offer, I am feeling very good about your company with just one area of concern. In my past position I had built my vacation days to two weeks, which was perfect for our annual family vacation, and by the way also allowed me to rejuvenate and return to work with increased enthusiasm. Is there a way for me to start with two weeks vacation instead of one?"

"I understand that this is your strongest offer. So can we discuss an early review of my performance, say 6 months, and at that time discuss a salary increase?"

"The total value of my other offer is significantly larger than yours with the major difference being their benefits. I really want to work for your company, but am definitely concerned about the weakness of your Health/Dental Insurance, 401 K, and Life Insurance programs compared to my other offer. The difference is potentially 10% more than your offer. Can we discuss an increase in base salary to make up this difference?"

Step 9. If additional compensation is agreed upon, ask for the changes in writing.

Step 10. Evaluate the second offer letter based on notes that you took during your negotiation.

Step 11. Make a decision to accept, or reopen negotiations as needed.

Step 12. Use this method the rest of your life to continue your career success.

The following is a quick list of recommendations:

1. Avoid facing the salary issue until the employer raises the question about "your salary requirements".
2. Deal intelligently with salary questions and issues by doing research on salary comparables and employers.
3. Know how much you're really worth.
4. Specify, "Salary is Negotiable" when asked, "What are your salary requirements?"
5. Know that your "qualifications" and "performance" will automatically determine your salary level.
6. Understand that employers do not predetermine salaries.
7. DO NOT under-value your worth.
8. DO NOT over-value your worth even if you think you are irreplaceable to the employer.
9. DO NOT think the employer is in the driver's seat when it comes to negotiating salary.
10. Approach salary negotiations from a perspective of need not greed and assign value to your qualifications and promises of performance.
11. Understand salary is assigned to the position.
12. Research and compile supporting facts for negotiating.
13. DO NOT discuss salary before acquiring information on the job or before communicating your qualifications to employers.
14. Learn how to close and follow-up on the salary negotiation interview.
15. Always calculate benefits as part of the compensation package.
16. Remember that salary is the gift that keeps on giving for the rest of your career when negotiating.
17. DO NOT project an image that is not commensurate with the salary being negotiated.
18. DO NOT put too high a price tag on yourself without providing evidence to justify the salary figure.
19. DO NOT state a specific salary expectation figure on either your resume or in your cover letter.
20. DO NOT act too quickly to accept employers' first or second offers.
21. Know how to use timing as part of establishing your value in the eyes of employers.
22. Adequately assess the employer's needs and develop a strategy to meet those needs as well as relate this strategy to your salary requirements.
23. Raise intelligent salary questions about the job and the employer.
24. Know how to handle employers' salary questions.
25. Give yourself room to negotiate by stating a salary range instead of an exact number.
26. Know when to leave a job or company for opportunities elsewhere that are a better match of your career goals.
27. DO NOT try to play "hard to get" when you have little or nothing to leverage.
28. DO NOT lie about your past salary history or alternative salary offers.

Benefits Glossary

Accidental Death & Dismemberment (AD&D): A provision in a health insurance plan that pays a specific cash sum if an employee should die or lose a limb as a result of an accident.
Administrator: The company that administers a health benefits plan, usually the health insurance company, but sometimes the employer or a third party.
Agreed Medical Examiner (AME): A doctor selected by the employer's insurance carrier or claims administrator and the attorney for an employee to determine disputed medical issues.
Annual benefit maximum: Total amount of benefits a plan will pay an employee for health costs in one year.
Annual benefits statement: A statement of deferred vested benefits provided to each employee every year. It should list vested pension rights, amount of accrued vested benefits or the date on which they will accrue, and total accrued benefits.
Annual renewable term life insurance (ART); also known as term insurance: A policy that is issued for the number of years stated in the contract, usually until age 65 or older, and is renewable annually at a predetermined premium. That amount increases each year as the policy holder gets older and becomes a greater risk. It does not build cash value, and can be canceled at the option of the policy holder. If the insurance is group term life insurance, up to a certain limit of employer contribution to the plan is tax-free to the employee and deductible for the employer.
Annuity: A series of equal payments from a pool of money which terminates when the recipient dies. The amount of each payment is usually based on life expectancy. A "Certain Annuity" is an annuity that guarantees payment for a minimum time period, usually 5, 10 or 20 years. A "Deferred Annuity" is an annuity that compounds earnings on a tax-deferred basis. Payments are scheduled for later dates. A "Variable Annuity" is a deferred annuity that compounds earnings at a fixed rate, usually pegged to a US Treasury security interest rate. A "Variable Annuity" is a deferred annuity that is invested in one or more mutual funds, whose performance and return may vary. 403(b) retirement plans can be annuities.
Beneficiary: The person or people that an insurance policy covers. With life insurance, the beneficiaries must be named on the policy.
Benefits: Non-salary items provided to employees.
Cafeteria plan: A flexible benefit plan which employees can choose from a range of benefit options, with different providers, costs, and coverage, depending on their needs and on what they can afford.
Case management: The review and monitoring of medical care by a health professional.
Claim: A request for reimbursement from an insurance company for incurred costs by the policy holder.
Coinsurance: A form of cost sharing between a policy holder and the insurance company. After a deductible has been met, a certain percentage of any bills must still be paid by the policy holder.
Consolidated Omnibus Budget Reconciliation Act (COBRA): An act of Congress requiring that employers with group health insurance plans continue to offer coverage to qualified beneficiaries after 1) termination of employee (for reasons other than gross misconduct) or reduction of hours of employment, or 2) the death of the employee, or 3) divorce or legal separation, or 4) the entitlement of the employee to Medicare benefits. Typically, COBRA requires employers to offer to employees who are being terminated up to 18 months or 36 months of continual health care coverage for up to 102% of the premium cost. Employers that have at least 20 employees are required to offer the insurance whether or not the employee was covered during their employment, or not. Some states have laws for companies with less than 20 employees.
Convertible term life insurance: Term life insurance that can be converted to whole life insurance without offering evidence of insurability.
Coordination of benefits: A health insurance provision restricting the total medical expense reimbursement from more than one plan. It provides for the sequence in which coverage will apply when a person is insured under two plans.
Co-payment: A form of cost-sharing between policy holder and the insurance company that requires the policy holder to pay a fixed fee toward the cost of each service used.
Custodial account: An account (associated with 403(b)) held by banks, approved non-bank trustees, or custodian, that contains assets that are exclusively in regulated investment company stock (e.g. mutual funds). It is subject to certain early distribution restrictions and excise tax.
Decreasing term life insurance: Term life insurance in which the benefit is reduced each month or each year while the premium remains unchanged.
Deductible: A specific dollar amount that a policy holder must pay for covered services in a year's time before insurance will cover either all or a percentage of expenses.
Defined benefit plan: A plan that uses specific formulas to determine how benefits will be accrued and measured.
Denial: A refusal by an insurance company, or someone hired by an insurance company, to reimburse a policy holder for a specific claim.
Dental insurance: Insurance that covers varying degrees of dental costs for employees. Types of coverage include preventative, basic, major, and orthodontia. Similar to health insurance, many policies require policy holders to pay deductibles or other costs.
Dependent: Anyone who relies on someone for primary financial support. Spouses and children are often considered dependents. Many types of insurance policies will offer coverage to dependents at an additional charge. Usually there is an age limit for children who are dependents.

Disability insurance: An employer-provided plan in whereby payments are made to guarantee an employee's security during periods in which they cannot work due to illness or accident.
Effective date: The date coverage by an insurance policy begins. This is not always the same date that employment begins, as there can be waiting periods before insurance becomes effective.
Elimination period
The first days of disability that are not covered by a policy.
Employee Retirement Income Security Act (ERISA): A law that protects employees by setting rules and guidelines for "welfare benefit programs" so they don't get shortchanged in areas like pensions. .It is enforced by the Department of Labor (DOL), the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC).
Exclusions: Health problems or situations an insurance policy will not cover. Many health plans will not cover "pre-existing conditions," or health problems that arose before the insurance was opened.
Face amount: The dollar amount of a policy that is payable in a claim.
Fee-for-service: A medical plan in which health care costs are paid for as they are incurred, usually after the policy holder pays a deductible. This policy usually has a cap on the amount paid.
Fiduciary: Under ERISA, a person who 1) exercises discretionary authority or control over the plan or its assets; 2) renders investment advice for a fee or other compensation; 3) has discretionary responsibility in the administration of the plan.
Filing claims: A procedure required by some plans, in which policy holder pays for health care first, and then submits receipts to the insurance company for reimbursement.
Flexible Spending Account (FSA): Also called a reimbursement account. A system in which policy holders store up untaxed monies to pay for costs not covered under other benefits plans or for care for a child or dependent disabled parent. Individual accounts are funded with either flex dollars from policy holder's budgeted balance, or with payroll deductions.
401(k) plan: A cash or deferred arrangement allowing employees to use a fund for their tax-free contributions, and often their employer's contributions, which grows until the employee retires.
403(b) plan: A pension plan option available only to nonprofit organizations, which may be in the form of a tax deferred annuity or a custodial account. Pre-tax contributions to 403(b) plans are tax free until withdrawn. Employer's may make contributions to employees 403(b) plans.
Guaranteed renewable: An agreement to continue insuring a policy holder up to a certain age, or for life, as long as the premium is paid.
Health Maintenance Organization (HMO): A health care arrangement which employees can join, usually for a set monthly fee, to receive basic and supplemental health services.
Health Insurance Portability and Accountability Act (HIPAA): Act of Congress passed in 1996 in order to require the U.S Department of Health and Human Services to develop requirements and standards for the maintenance and transmission of health information on individual patients effectively. The aim of this act is to improve the efficiency and effectiveness of the healthcare system through the standardizing of electronic data on patients while at the same time protecting patient's security and confidentiality.
Increasing Premium Whole Life (IPWL): Term life insurance that automatically becomes whole life insurance after it's been in effect for 15 or 20 years.
Indemnity plan: A common health insurance type in which health insurance companies agree to indemnify, or reimburse, policy holders for a specific amount of actual hospital and medical expenses.
Individual Retirement Account (IRA): An account that is established by an employer into which a portion of the employee's salary can be deposited. That money, and the earnings on it, are not taxed until it is withdrawn from the account. Rules govern how much can be contributed, how much can be deducted, and when the proceeds can be distributed.
Life insurance: A contract under which a life insurance company agrees to pay a certain amount (face value of the policy) to one or more people upon the death of the policy holder, as long as premiums have been paid. See: Annual renewable term life ins.; convertible term life ins. ; decreasing term life ins.; single premium life ins.; universal life ins.; variable life ins.; whole life ins. (also known as ordinary or straight life).
Long term disability income insurance: A plan that provides employees with monthly income if they become disabled due to sickness or accident and are unable to work. It usually pays a specified percentage of earnings that continues to retirement age or for a specified period of time. There is usually a waiting period. Employer or employee can pay all or part of cost. Employer's costs are tax-deductible, but then income to employee is taxable. If the employee pays the costs, then income is tax-free.
Long term health care: Health and custodial care which assures support for people who have chronic long term physical or mental conditions that prohibit them from taking care of themselves.
Major medical: A health plan that covers a percentage of many non-hospital expenses, such as outpatient procedures and lab tests, as well as hospital and physician charges. Usually there is an annual deductible.
Managed care: General term for the system that seeks to ensure the treatments policy holders receive are medically necessary and are provided in a cost-effective manner. Many types of treatment require advance permission.
Mandated benefits: Specific minimum health benefits, mandated on a state-by-state basis, that insurance companies must offer to all policy holders.

Maximum Exclusion Allowance: A calculation to determine the maximum annual contributions an employee may make to their 403(b) plan. This calculation is based on several factors including: compensation, years of service, and prior contributions to the current plan.
Medicaid: A federal/state cooperatively funded and state-administered program of health benefits to eligible low-income people. Established under Title XIX of the Social Security Act. States determine program benefits, eligibility requirements, rates of payment for agencies and institutions that provide services, and methods of administering the program under broad federal guidelines.
Medical necessity: The determination by health insurance companies that medical treatments must be performed before they will agree to pay for the treatment. Certain procedures may require pre-approval to deem whether they meet the standard set by the company.
Medicare: A federal health insurance program for people age 65 or over who are eligible for Social Security, and for some people under age 65 who are disabled. One part of Medicare covers inpatient hospital care and skilled nursing care, and another part covers physicians and other's services. The latter part is voluntary and requires payment of a monthly premium.
Medigap insurance: Private health insurance purchased to cover the gaps between Medicare payments and physician and hospital charges, and additional services not covered by Medicare.
Out-of-pocket payments: Costs that policy holders pay directly that are not covered by the insurance policy.
Pension plan: A plan providing policy holders with retirement income, or deferring some income to a period extending to the termination of covered employment or beyond. A retirement plan.
Permanent disability: Benefits paid to an employee when the residual effects of an injury sustained on the job are considered to "diminish the employee's ability to compete in the open labor market."
Portability: The ability of employees to transfer their account balances, after leaving one employer, to another employer without restrictions or penalties.
Pre-existing conditions limitation: A waiting period before a medical plan will provide coverage for health conditions that a policy holder had prior to becoming insured.
Preferred Provider Organization (PPO): A group of health care providers that arranges to offer health care to groups of employees at a discounted rate. The PPO will provide policy holders with a list of doctors and other health professionals to choose from.
Premium: Monthly payment to an insurance company by a policy holder. Premiums can be taken directly out of employees' paychecks.
Qualified Beneficiary (QB): Any individual covered by a group health plan on the day before a qualifying event. Can be an employee, employee's spouse and dependent children, or a retired employee (and spouse and dependent children).
Qualified Medical Examiner (QME): A doctor chosen to evaluate permanent disability or to resolve other medical issues.
Qualifying event: An event that would cause an employee or a dependent to lose coverage under the employer's health plan.
Renewable: A type of insurance offering employees the right, during a specified period of time, to renew their policy without evidence of insurability.
Single premium life insurance: A type of whole life insurance that entails the payment of a single premium and builds immediate cash value that can be borrowed against without tax consequence.
Social Security Act: Created the Social Security Administration and established old age, survivors, disability, and unemployment compensation insurance. Employees and employers equally divide the costs of old age, survivors, and disability, commonly known as Social Security. Employers pay unemployment insurance through a payroll tax.
Summary of material modifications(SMM): A summary of any material change or modification of a benefits plan or the information contained in the Summary Plan Description that must be furnished to each participant and beneficiary.
Summary plan description: A report describing the contents of a benefits plan, which must be provided to each plan participant and beneficiary who is receiving benefits under the plan.
Term life insurance: See Annual renewable term insurance (ART).
Third-party administrator (TPA): A firm selected to administer medical claims or conduct employee wellness and safety programs.
Thrift plan: A hybrid savings plan that usually contains two related provisions requiring contributions by participants and the employer. The employer's contributions are usually based on the amounts contributed by employees.
Trust account: A legal entity organized for purposes of holding property for the benefit of another. A 401(k) plan is a trust established by an employer to hold retirement assets for employees.
Universal life insurance: A type of whole life insurance in which the cash value (savings account) portion of the policy builds at a rate tied to current market interest.
Variable life insurance: A type of whole life insurance in which the cash value is invested in a mutual fund.
Vesting: The timing schedule that determines when an employee obtains a non-forfeitable right to contributions and benefits derived from plan contributions made by the employer.
Waiver of premium: An option that allows an employee's coverage to continue without any payment of premiums if they are totally disabled for more than a specific period.
Wellness program: An employee program that can include educational classes, seminars, on-site exercise facilities, or anything that encourages improved health and healthful lifestyles for employees.

Whole life insurance (also known as ordinary or straight life insurance): A policy that combines term life insurance with an investment/savings account, so that the policy can be surrendered for cash or borrowed against.
Workers' compensation: A program of payments funded by employers and mandated by state law for employees who are injured on the job or who become temporarily or permanently disabled due to on-the-job injuries or illnesses.
Workers' Compensation Appeals Board (WCAB): The court which hears and decides disputes involving workers' compensation claims.

Compensation Glossary

Bonus: A lump sum payment to an employee in recognition of reaching a particular goal.
Cost of Living Adjustment (COLA): Wage and salary increases or supplemental payments based on the change of an index (usually the Consumer Price Index - CPI).
Equal Pay Act (EPA): A law that protects employees from discrimination in wages based on gender. Prohibits sex-based discrimination in wage payments or other compensation for jobs that require equal skill, effort, and responsibility, and that are performed under similar working conditions.
Employment Standards Administration (ESA): Agency within the U.S. Department of Labor which enforces and administers laws governing legally-mandated wages and working conditions, including child labor, minimum wages, overtime and family and medical leave; equal employment opportunity in businesses with federal contracts and subcontracts; workers' compensation for certain employees injured on their jobs; internal union democracy and financial integrity, and union elections, which protect the rights of union members; and other laws and regulations governing employment standards and practices.
Fair Labor Standards Act (FLSA): Establishes the minimum wage and overtime requirements for employees. Restricts and limits the use of child labor. Organizations must pay the minimum wage, and must pay one and a half times regular hourly rate for hours worked in excess of forty. There are exceptions for certain employees paid on a salary basis and who use discretion and independent judgment.
Incentive pay: Pay which is offered employees above their regular pay to influence their performance. Employees are paid this only if they meet set expectations.
Long-term compensation: Pay for employment longer than one year.
Minimum wage: Wage level set by Congress that sets the least employers must pay employees on an hourly basis.
Overtime: When non-exempt employees work more than 40 hours during any week, employers must pay them at least 1.5 times their hourly wage. Some states have more specific rules that require overtime to be paid to any non-exempt employees who work more than a specified number of hours per day.
Red circle/Redlining: The maximum level an employee can be compensated in their category or job.
Variable pay: Any compensation paid in addition to an employee's base salary. Variable pay is based on the performance of the individual, team, department, division, and/or company.

Performance Evaluations Glossary

Essay method: The supervisor prepares a written statement about the employee being evaluated, describing specific strengths and weaknesses in job performance. The essay method also suggests ways to improve problem areas and can be written in collaboration with the employee.
"Halo" effect: Because an employee either performed well in one area, or is generally liked by the supervisor, the employee is given high marks in all areas regardless of performance. Often a supervisor looks for support of his already established opinion instead of evaluating performance without bias.
Management contract: The manager negotiates a performance contract with the employee. This is like an MBO (see below) but also includes standards by which the employee will be judged, and perhaps rewards for performance, in the contract.
Management by Objectives (MBO): A results oriented evaluation whereby the employee must achieve goals decided upon by either the manager or the employee and the manager together. Deliverables must be specific, measurable, and connected to a time schedule for this system to work. The deliverables could be work, problem-solving, or personnel growth objectives.
Mechanism of evaluation: The process and standards used to analyze and judge an employee's performance.
Performance evaluation: A structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.
Rating method: Each employee trait or characteristic is rated on a scale with degrees from poor to excellent. Traits include attributes like cooperation, communication skills, initiative, punctuality, and competence
Selective perception: Tendency to make private and highly subjective assessments of what a person is "really like", and then seek evidence to support that view (while ignoring or downplaying evidence that might contradict it).
Trait relevance: In the rating method there is the question, Are the selected rating-scale traits clearly relevant to the jobs of all whom are evaluated? It is inevitable that with a standardized and fixed system of appraisal that certain traits will have a greater relevance in some jobs than in others.