Contract Terminology and Concepts

A

ACROSS-THE-BOARD INCREASES - A negotiated raise in which all members of a bargaining unit, regardless of classification, receive the same wage increase (either in percentage or dollar amount).

ANNUALIZING WAGE INCREASES - Annualizing is a way of converting changes over different time periods into a standard yearly increase. For instance, a 4% wage increase that is applied at the start of a full 12 month year (January 1)will be worth a 4% wage increase to the employee and will cost the employer 4% for the year for that employee. But a 4% wage increase that is applied half-way through the year (July 1), for a six month period is only worth 2% to the employee and will cost the employer 2%. The annualized figure is arrived at as follows using this example: the 4% is divided by 12 into equal monthly amounts, equaling .3334%. That number is then multiplied by the 6 months it is in effect, which equals 2%.

B

BACK LOADING - Back loading occurs when the majority of a raise is distributed at the end of a contract cycle (e.g. Year 1- 3% increase, Year 2- 4% increase, Year 3-5% increase) in a multi-year agreement.

C

CALL PAY - An hourly amount of pay given a worker for being in an on-call status.

CASH BONUS - A cash bonus is just as it sounds- an amount of money that is negotiated into a contract that usually is given to each employee. It is often seen by management as an attractive way of gaining employee support for a contract while saving the employer money in the long run. The main problem is that such cash bonuses do not increase the base wage rate, so that there are no roll-up effects on overtime, vacation pay, holiday pay, etc. and the base wage rate remains the same going into the next cycle of negotiations.

COMPS - In preparation for bargaining economic contract items, the parties will research what other comparable employers are paying or giving for various benefit categories. These are often referred to as comps. Comps are not necessarily as objective as might be expected since either side can be selective in what they deem to be “comparable”. Is a company located in the same geographic area, but in a different industry and of a different size a legitimate “comp” or alternately, is a similarly sized company in the same industry but in a different part of the country (and therefore different economic environment) a better “comp”?

CPI (CONSUMER PRICE INDEX) - The CPI is a figure published by the U. S. Department of Labor that is supposed to show changes in the cost of living by measuring changes in prices for housing, food, transportation, clothing and other items. National and regional figure are available from the Bureau of Labor Statistics available on its web site bls.gov.

COLA (COST OF LIVING ADJUSTMENT) - COLA is an escalator clause in contracts that provides automatic wage increases to cover the rising cost of living due to inflation, usually pegged to the Consumer Price index and calibrated to kick in only if the inflation rate rises beyond a certain percentage. COLAs were common in the high inflation years of the 1970s but have eroded over recent years, with various explanations offered (reduced inflationary uncertainty, lower union power, and structural shifts in the economy, etc). But regardless, they are seldom seen in contracts today.

CONTRACTUAL RAISE - This is simply the negotiated wage increase that is applied to the wage scale at the beginning of a new contract year or period on a specific date.

D

DIFFERENTIAL PAY - Additional pay for time or duties beyond those normally required. The most common forms are those for working on a shift other than the day shift, and for weekend work. Differentials also may be paid for other specific circumstances, such as: hazardous duty; certification or accreditation; and, education.

F

FRINGE BENEFITS - Negotiated contract provisions exclusive of wages and hours, such as health insurance, pensions, maternity/parental leave, paid vacations, leaves of absence, mileage allowance, travel pay, etc. are termed fringe benefits.

FRONT LOADING - Front loading occurs when the majority of a raise is distributed at the beginning of a contract cycle (e.g. Year 1- 4% increase, Year 2- 3.5% increase, Year 3- 3% increase) in a multi-year agreement.

I

INCENTIVE PAY - Also referred to as "pay for performance" or "merit pay". It is a system of pay that is a throw-back to piece work bonuses in which workers are paid more than others for more or better work or for supposedly higher performance on the job. Generally opposed by unions because they are often tied to annual evaluations and are highly susceptible to favoritism and subjective decisions made by supervisors, and also because they destroy the unity and solidarity of the union.

L

LONGEVITY PAY - Contracts often have a provision for longevity pay which is a cash amount given to senior employees who have reached the top of the scale and have no more steps to advance to.

M

MEAN - The mean of a set of numbers is the sum of all the members of the set divided by the total number of items in the set. The mean is what is usually called the "average".

MEDIAN - The median is the number in the middle of a list with the same number of units above it equal to the number of units below it.

P

PAID TIME VS. WORK TIME - This is an important concept to keep in mind when considering how a particular benefit is calculated. Paid time includes all paid time off (all days or time that and employee is paid, but not working). Work time only applies to that time in which a worker is actually on the job, excluding vacation time, sick days, personal or professional days, bereavement leave, etc. Example: Vacation accrual rates that are calculated on work time (instead of paid time), would have the effect that all the time that an employee takes for vacation, holiday time, sick time, etc. (non-work time) will lower the vacation accrual rate thereby reducing total vacation amounts.

PAY IN LIEU OF BENEFITS- Some contracts include the option for the employee to take a higher rate of pay (pay in lieu of benefits) in exchange for not taking any benefits at all, including health insurance, paid time off, etc. This can often undermine the unity of the union as competing pressures and divisions emerge on bargaining strategy.

PERCENT INCREASES VS. DOLLAR INCREASES - Percent increases applied to a wage scale have the effect of increasing the gap between the bottom of the wage scale and the top. This occurs because an increase on a lower wage rate is less actual dollars than the same % increase on a higher wage rate. While a dollar increase (or any portion of a dollar amount) has a different effect. A fixed dollar amount is worth the same in actual dollars to the worker at the bottom of the scale as to the one at the top, but that amount represents a greater % increase to the lower wage earner.

PYRAMIDING - Often contracts include a stipulation that there is "no pyramiding" of overtime pay. This usually refers to a ban on getting paid twice for the same hours worked. An example would be as follows: an employee works 4 hours over her 8 hour shift and therefore will get paid 8 hours at her straight hourly rate of pay, plus 4 hours at the overtime rate (1 ½ time pay) or 6 hours additional pay for a total of
14 hours pay for that day. Assuming she works a 40 hour work week for that week, she would receive a total of 46 hours pay. "No pyramiding" means that the 4 hours overtime worked on one day cannot also be counted as being 4 hours over the 40 hours per week rate. It cannot be counted twice. Employers sometimes incorrectly try to claim that "no pyramiding" also prohibits an employee from getting a shift differential, in addition to a weekend differential, or overtime.

R

RED CIRCLE RATE - On rare occasions, when a worker is placed on a wage scale, he/she might be red-circled because their rate of pay does not fit anywhere on the scale. This means that they are held in place (either not advancing up the scale or not receiving a contractual increase) until their rate of pay and the scale come together, or alternatively the employee may be red-circled in recognition of being outside or above the wage scale.

ROLL-UP COSTS - These are the additional costs (other terms used include: add-on; loading; creep; impact; multiplying fringes) caused automatically by a change in wages or salaries. As the hourly wage rate increases there are impacts on other contractual items such as- overtime, holiday pay, vacations, sick pay, call-in pay, bereavement leave, plus other potential items as pensions, Social Security payments. The roll-up factor is obtained by adding up the average hourly cost of all benefits subject to the roll-up effect and dividing by the total cost of straight-time wages. Example: Benefits subject to roll-up and their average hourly costs:
Overtime- $.90, Holidays- $1.00, Vacations- $1.30, Differentials- $.05, Call-in pay-$.12, Sick Pay-$.23 for a total of $3.60. Divided by the Straight time wage of
$12.00 per hour equals a 30%roll-up factor.

S

SEVERANCE PAY - Compensation paid to an employee upon layoff or closure of a facility.

SIMPLE HOURLY AVERAGE - The simple hourly average is an average rate of pay based on totaling all of the rates of pay and dividing that number by the total number of all of the employees.

SPLITS - Some wage increases may be spread over the contract year, or split. A split might look like this: a 2% increase effective on Jan. 1 (the first day of the contract) with another 2% increase effective on July 1 of that same year. The impact in this example is that the worker's rate of pay (or base rate) will increase by 4% during the course of that year, but the actual in-pocket money received for that year will be 3**%** (figure arrived at by annualizing the split plus the initial increase) of total wages.

STEP INCREASE - This is the increase that an employee receives as a result of moving up the wage scale from one step to another. The step increases are most often set as yearly increases given on each individual employee's anniversary of date of hire. Therefore, the step increases for any bargaining unit are spread throughout the year.

T

TWO-TIERED WAGE SYSTEMS - An employer's practice of paying higher wages to current employees while creating a lower level of pay (another tier) for all new hires after a date specific. Such systems usually lead to divisions and tensions in the workforce between senior employees and newer employees since the workforce becomes divided by pay for performing the same job, simply based on an arbitrary date. Increasingly these have been exposed as only another union busting measure rather than one designed to sustain a struggling company. Such two-tiered systems also have been used for creating different tiered benefit levels (vacation accrual rates, holidays, personal days, etc).

W

WAGE SCALES - Wage scales are a central element to any labor agreement. The wage scales list all of the job classifications in various pay grades (usually vertically) and the steps (usually horizontally) representing amounts of time spent in a pay grade. Employees normally move up the step scale automatically based on years in that pay grade. Wage scales may have a very limited number of Steps (2-3) or they may have multiple steps (10 plus) depending on what the parties have negotiated.

WEIGHTED HOURLY AVERAGE - The weighted hourly average is the figure that is arrived at by multiplying the number of employees in each specific wage rate, adding that number, and then dividing it by the total number of employees. This number is a more accurate measure than a simple average of per hour cost because it takes into account the distribution of employees within each pay category. At the bargaining table, the employer may try to use the “average” rate because it is a higher rate, therefore indicating higher costs per hour that are not valid.