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## Comparing Job & Salary Offers

A job offer consists of both a salary figure and a benefits package. To properly analyze what you are being offered you must look at both components. The benefits package may equate to as much as 30% of the overall offer. For example company X may offer you 35K plus a benefits package worth 5K, while company Y offers you 30K plus a benefits package worth 12K. Which is the better offer for you? Consider this handout an overview to guide you. Feel free to set up an appointment at the CDC to go over in detail any offer you may receive.

Let's examine what the pieces mean:

**I. Base Salary Offer or the figure that is the foundation of your salary prior to bonuses, perks, and benefits.** This is the figure from which raises will be calculated, e.g. "we will give you a 5% raise in 12 months" = 5% of your current base salary. Thus, your initial starting salary will continue to be the major determinant of future salary increases for most employees. It is important to inquire as to how often your performance will be reviewed and if this review will include a salary review.

### **II. Bonus Structures**

Many organizations offer bonus plans based upon merit or a % of a department's sales or revenue. Other bonus packages include incentives (dollars, trips, conferences etc.) to meet goals.

#### **A. Sign on bonus**

Many companies will offer new graduates a signing bonus as "up front money". This is appealing because it helps you deal with those first big expenses such as first and last months rent, career wardrobes, furniture and perhaps a down payment on a car. Typically these bonuses are between \$3-\$5,000 and can be negotiated if you have competing offers. Remember they are taxable as they are considered income.

#### **B. Profit Sharing or Employee Stock Ownership Plans (ESOP)**

Profit Sharing can result in significant enhancements to salary if the organization is doing well and is expected to perform well in the coming years -- think what it has meant to Microsoft's employees! An example of profit sharing is an ESOP. Employees of a company may acquire certain amounts of stock options annually at a below market price. Thus, if an employee is allowed to purchase stock at 10-15% below market, she immediately recognizes a profit. Another example is with employee owned companies which often provide dividends based upon profits.

### C. Overtime

Overtime consists of pay beyond your contracted hourly work week and can be very lucrative. Typically salaried employees do not earn overtime, however there are exceptions. A good example of a field where overtime is extremely important is as a paralegal. Overtime may equate to an additional \$8-10,000 dollars annually!

### D. Relocation expenses

New graduates may be offered remuneration for the costs of a UHaul and mileage. As a more experienced and senior hire, employees are offered moving expenses which can include remuneration for moving company fees and real estate fees.

## III. Benefits

Benefits packages may be worth anywhere from between 15% of your salary and 35% and can include the following items. Many organizations now offer these in a “cafeteria plan” or menu to be customized to your personal needs. As you look at the list, consider which components of the package may be taxable and which are non-taxable benefits. While the benefits packages are at times overlooked by the starting salary, examine them carefully as they can be significant. You may actually choose a lesser salary with an organization that offers a very comprehensive benefits program, and be way ahead!

**Medical and Dental** Most employers offer you the option of a couple of HMO plans. It is important to understand if this applies to only the employee or to partner/spouse and children. What portion is the employee responsible for, e.g. 20-50%? Is eye care included?

**401(k)/403(b) - tax deferred retirement plans.** Often times the company contributes a % of, or matches, the employee contribution to a tax deferred retirement plan. This is a benefit that you should begin immediately even if retirement is 50 years down the road! For if you “front load” your account, seeing as it has the ability to compound, it will allow time to have more effect on the workings of your monies. It is a significant savings account.

**Pension Plans** - the company contributes a dollar amount in an account that accumulates over time. In some companies one has to be “vested”, or has to have been employed for a certain period of time, in order to receive the accumulated funds.

**Life insurance** is likely offered by the company at a basic minimum with the opportunity to purchase additional term life coverage. Usually this will be offered as a plan giving you one or two years’ salary of life insurance benefit.

**Disability Insurance (short and long term)** may not seem as important as it will in the unfortunate instance that you need it! This insurance provides for continued paychecks when you are unable to work for short and long term periods of time due to illness or accident.

**Dependent Care and Medical Pre-tax Deductibles**-- employers may allow one to declare an annual expected expenditure for pre-taxed health or dependent care. This can equate to a significant savings in income tax spending and thus increase your take home pay.

**Child and Day-Care services**--while you may not be concerned with this now, it is nice to know that a company is “family friendly”. It may mean that either on site day care is available or that the company contributes towards daycare expenses. Note the dependent care option listed above.

**Paid Vacation and Unpaid Leave time** --this is likely to be one of the most important benefits you consider. Up to now most students enjoy 3+ months of vacation per year. When you begin working you may receive only one or two weeks in the first year. This can be quite an adjustment! Some organizations will allow you to take overtime in the form of vacation days and others will permit unpaid leave if it does not conflict with peak performance issues.

**Holidays** -Depending upon the State you are working, State holidays with National holidays can be as many as 13 paid days with additional floating holidays possible.

**Sick/Personal days** --employers usually cover a set number of sick days. Many now include personal days as part of this package so as to not encourage excessive absences.

**Tuition Remuneration** --employers may reimburse you for professional and graduate course work. It is good to inquire whether this is a taxable or pre-tax benefit and if there is a minimum academic grade necessary for compensation.

**Other potential “perks” that can equate to dollars. Company coverage of:**

Professional association membership dues  
 Professional development programs  
 Perks (use of company car, paid parking, health-club membership, equipment such as personal lap-top computer, cell-phone, etc.)

**Other factors in determining salary comparables:**

Regional cost of living indexes  
 Does the organization operate on “meritocracy”?  
 Is the position “graded” or set in a salary “range” which will impact future raises?

**Now, based on what you have reviewed, which offer is more attractive?**

	EMPLOYER X	EMPLOYER Y
<b>Location</b>	<b>New York</b>	<b>Boston</b>
Base salary	<b>\$35,000</b>	<b>\$30,000</b>
Sign on bonus	<b>\$ 3,000</b>	<b>\$ 4,000</b>
Benefits pkg. worth	<b>\$ 5,000</b>	<b>\$12,000</b>
	<b>\$43,000</b>	<b>\$46,000</b>