**Job Offers Calculations**

**The easy part**

The most common components factoring into gross compensation are:

**Cash compensation (salary, bonus, sign-on)** – If the bonus is listed as guaranteed, the figure can be lumped into salary. Most bonuses are not guaranteed, but rather are tied to personal and/or company goals being met. Some firms or individual employees are willing to provide data on bonus history. Sign-ons are used to sweeten an offer or to rectify a potential cost the new hire would incur by leaving their job, such as an unpaid bonus.

**Healthcare premiums and contributions** – Offer letters typically do not list employee out-of-pocket insurance cost, and personal circumstances may weigh heavily on how one values health insurance. Employer contribution can vary from 50-100% while other companies offer employee-only contribution (no contribution towards spouse/partner/child), which can result in a total compensation difference of a few percent.

**401k or retirement plans** – Employee match and contribution to these plans can be significant. Consider both the dollar amounts and the vesting schedules.

**Education reimbursement** – If considering a return to school this policy could make a difference.

**Paid time off** – Although the real value any employee places on time off will vary, the dollar value of each day of PTO can be estimated using a formula.

*(Annual salary / estimated annual work hours) x work hours in a day*

Many candidates make the mistake of basing their decisions with too much weight placed on base salary. This may be attributed to our emotional attachment to numbers and compensation “milestones” (usually round numbers), the perception of status that results from salary, and the inability of candidates to accurately gather and calculate the details of a comprehensive package.

A friend might tell you about her 100K salary, but how often do you hear someone independently offer up that they pay 10K per year for health insurance and only get one week of vacation?

**Additional considerations**

The details above are all easily obtained, quantified, and require no interpretation. Everything from this point on will require a bit of investigation as well as some educated guessing.

**Expected hours** – To put a value on time for offer comparison, a quick calculation to convert salary into dollars per hour can be a telling figure. All else being equal, that 80K offer with a 40 hours work week is more per hour than the 100K offer at 55 hours. Estimates of work hours may not be accurate, so multiple data sources can help.

**Commute time/cost and possibility for remote work** – Distance may not be a reliable predictor of commute time or cost, and mundane details such as gas efficiency will quickly add up when you consider the trip is repeated 400+ times a year. Mass transit inefficiencies and delays have a cost to commuters as well. The ability to work remotely, even for one or two days a week, makes some difference.

**Travel** – This can be viewed as a positive or a negative depending on the worker. Consider any hidden expenses that may not be reimbursed, such as child or pet care costs.

**Perks** – Company provided phone or internet, gym membership, and office meals/snacks are not things job seekers expect, yet could provide thousands of dollars in value.

**Self-improvement budget** – Some companies may be willing to foot the bill for training or conferences that the employee would have paid for anyway.

**Forecasting and speculation**

The most vital characteristics contributing to a job’s long-term value are often hidden and unsupported by reliable data. Establishing the present day value of any one job is somewhat complex, and trying to forecast future values requires speculation.

**Future marketability** – This is a key factor in career compensation, yet is often overlooked when the temptation of short-term gains are presented. The consideration of future marketability is most critical for new grads or junior level employees, who are (unfortunately) often in debt and easily influenced by short-term gains and cash compensation. What skills will be obtained in a job, and to what extent will these new skills increase market value? Will having a company’s name on a résumé (whether by associated prestige or number of direct competitors) create some additional demand for services? If a goal is to maximize lifetime earnings, one could theorize that a year of unpaid work at a place like Google or Facebook is preferable to two years of paid work at many other companies.

**Promotions and raises** – Job offers only include *starting* salary/title. How, and how often, does a company evaluate employees for salary increases, and what amounts might be expected for performers? Do they tend to promote from within or hire from outside? Is there a career path and is there a point where compensation plateaus?

**Stress and satisfaction** – It’s impossible to place a hard value on work stress or job satisfaction, and the amount of either is difficult to predict. Satisfaction, work/life balance, and stress can impact both health and productivity, which could also contribute to marketability.

**Stock/stock options** – The number of factors that influence the potential value is too long to list. Vesting schedules may have substantial impact on perceived value if a long tenure isn’t expected.

**Environment, team, management** – Companies try to make a strong positive impression during interviews, but that image doesn’t always accurately reflect day-to-day operations. Younger workers should place considerable weight on whether there are team members to learn from and mentors who are both available and willing to guide. Employees with long tenures will have insight, though the opinion of more recent hires may be more relevant to anyone considering an offer.

**Conclusions**

Job change decisions are complex, and tough choices usually end up coming from the gut. The immediate results of a choice are easily identified and quantified, but the more important long-term ramifications require research, interpretation, and a bit of conjecture. When combining all of the smaller elements of a compensation package, the highest salary will not always be the most lucrative offer.