

Job Offer Negotiation

In the excitement of the actual job offer, the tendency for many grads is to make the costly error of accepting the first offer that comes their way. However, the time frame between when the initial offer is made to when you accept the offer is a golden opportunity for negotiation. If these two events are simultaneous, you will lose a chance to negotiate which you may never have again.

If you are not prepared in advance, you will miss the opportunity to ask some “free” negotiating questions that can give you additional career commitments above and beyond what has already been given. These questions are invaluable since they cost you virtually nothing from a negotiating standpoint.

So if you are on your toes when the offer is made, you can ask these key questions (if yet unasked in the interview process) at little or no risk:

“What are the promotional opportunities of the position?”

“To what position/level?”

“How and when will my performance be reviewed?”

“Will this include a salary review?”

“What kind of salary progression would be expected in the first three to five years?”

Be sure to take careful notes of the answers and who gave them. These may be the most “liberal” responses you ever hear with regard to your position. Don’t be afraid to refer to these promises and guarantees later when they become important in your work. But realize that they are not true job offer negotiations. They are “gifts” given to you at the time of your job offer, possibly never to be uttered again. Take careful notes. And for a more comprehensive printable checklist for your job offer, go to: www.CollegeGrad.com/offers . . . then click on “[Job Offer Checklist](#)” to review over 40 potential topic areas to cover.

If you have a true job offer in hand, the first thing you need to do is decide whether the offer is acceptable to you in its present form. In other words, if the offer as given is the very best you can negotiate, will you still accept the job? If not, you will need to take a different approach.

Evaluating the Total Package

While salary is certainly the most important element of a job offer, it is by no means the only point of consideration. The total package includes all of the benefits and other perks that are provided to you as an employee of the company. One of the biggest errors many college grads make in evaluating an offer is to look exclusively at salary as the measure of acceptability. Benefits seem to be an ethereal element that will never actually be used. The Invincibility Factor (“I’ll never be sick, disabled, die, or need to get my teeth cleaned”) runs high among many new grads. If you have not been provided a formal benefits package to review by the time the job offer is made, ask that it be sent to you. If you are given the

information verbally, take copious notes and ask clarifying questions on any areas you do not understand.

Evaluating Your Benefits Package

Benefits are not just for the twilight of your career. While we typically think of benefits as basic insurance coverage, a good benefits plan can include many additional perks that offer true tangible gains in relation to the competition. Following are some of the basic elements of benefit plans and what to look for:

- **General Coverage**

Find out if there are any monthly or per-pay-period costs for the overall benefits plan (which will make an immediate and tangible dent in your take-home pay, although it is usually a pre-tax deduction), who is covered (does it only cover you or does it also cover other family members and future family members), when each component of the benefit actually begins (some will begin the first day of work, some after thirty days, and some after one year of employment), and whether any of the benefits are taxable (life insurance is an example of a benefit that you may end up paying taxes on at the end of the year). If the benefits are provided cafeteria-style (where you can pick and choose which you will enroll in), find out if you can add benefits at a later date and what restrictions would be involved.

- **Medical Insurance**

Consider the type of plan (Preferred Provider Option, Health Maintenance Organization, Blue Cross/Blue Shield, etc.), what expenses are covered (HMOs will often pay for preventive care expenses that others will not, etc.), deductibles (annual deductibles, per-office-visit deductibles, etc.), co-pays (percentage the insurance pays versus the percentage you will pay), exclusions for pre-existing conditions, and whether or not the plan has open or closed enrollment (including medical exams or other evaluations which may be necessary for enrollment in the plan).

- **Dental Insurance**

Consider whether preventive care (exams, cleaning, X-rays, etc.), surgical care (root canals, etc.), and orthodontic care (braces, etc.) are covered and to what extent (deductibles, co-pay, annual limits, and lifetime maximums).

- **Vision/Eye Care Insurance**

A great benefit if you need it. A great benefit even if you don't currently need it (most will need it eventually). Evaluate what expenses are covered, what the deductibles are, and what the annual limits and lifetime maximums are. Many companies now offer an "up to" amount of annual coverage which can include exams, eyeglasses, contact lenses, and even disposable lenses.

- **Life Insurance**

Although you are likely not planning your funeral arrangements yet, this benefit will become increasingly important as you add loved ones to your life. In the meantime, it may cover the basic expenses in the event of unexpected tragedy. Some companies will also allow you to purchase additional blocks of term insurance, although often at or above the going market rate. It is usually better to purchase additional insurance separately, but evaluate the costs—especially if the rates offered will remain stable for the duration of your employment.

- **Accidental Death Insurance**

As if it somehow matters how you die, some companies pay more if your death is of

a more spectacular nature. If they offer it for free, take it. Don't buy additional amounts.

- **Business Travel Insurance**

Another variation on the accident insurance theme. Companies sometimes provide their employees with insurance to cover accidental death or dismemberment while traveling on business. Again, if they offer it for free, take it.

- **Disability Insurance**

One of those benefits you will never ever care about until you need it. Disability insurance is usually divided into short-term disability (which can sometimes include an allocation for sick pay and usually includes initial disability coverage from 90 days to a year) and long-term disability (which usually kicks in after 90 days to a year). Note the percentage amount of salary paid, how that percentage may change over time, and what that percentage is based on. Also note how any variable pay components may be covered.

- **Vacation**

Consider how many days are allowed in your first year, when they begin accumulating, when they may be used (can days be taken before they are earned?), how many days are allowed in future years, and the maximum number of days. The standard vacation policy may start with one to two weeks per year (prorated from the hire date), then additional days or weeks based on years of service. Some companies, however, do not provide any vacation during the first year. Note also whether vacation days accumulate according to the calendar year or work year (based on your date of hire).

- **Holidays**

There are six standard holidays that nearly every U.S. company covers (New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day). In addition, many cover the day after Thanksgiving, an additional day at Christmas, and some cover additional days such as Presidents' Day and Martin Luther King Day. And then there is the U.S. government, which is a member of the Holiday-of-the-Month Club. Many companies will offer six or more "set" holidays plus one or more "floating" holidays that can be used at the employee's discretion. In this case, these floating holidays usually end up being treated much the same as vacation days. If the company offers floaters and you are starting midyear, note how many will be offered to you during the first year.

- **Sick/Personal Days**

While many companies have moved away from having a designated number of sick days for salaried staff (which encourages the more slack employees to take them in spite of lack of actual illness, since they are already enumerated), some companies still provide for a certain number of personal days. Depending on the restrictions, these may be treated as pseudo-vacation days. But remember that when you take time off work to visit your sick Aunt Martha in Idaho, it will likely be applied against this time allocation.

- **401(k) Plans**

Start your 401(k) early and max it. Your company's 401(k) plan can help you begin building a tax-deferred retirement nest egg early (start now and you will truly be able to enjoy your retirement). Consider the percentage or dollar amount of company matching (if any) along with any defined maximum amount for either matching contributions and/or employee contributions. Also check the amount of time it takes to vest the company matching portion and whether there is a partial vesting during the interim.

- **Pension Plans**

The ultimate yawner benefit for twenty-somethings, these can and will make a difference to you later in life. Usually the company puts an amount into an account that silently accumulates for you over time. An excellent benefit that many companies are either cutting back or replacing with 401(k) plans.

- **Profit Sharing**

Profit sharing can be an outstanding benefit, assuming the company is profitable and expected to continue in the black. However, the amount of profit sharing provided is often at the discretion of executive management and may be stated as an "up to" amount or percentage. If it is unclear what that amount is, ask what the company has paid, historically, for the last three years to individuals in a position similar to the one you are being offered. Downplay any promises that it will likely be greater in the coming years. Even when you are dealing with historical figures, do not plan to spend the money until you have the check in hand. Anything can and will happen with the profit-sharing wild card, even in the most conservative companies.

- **Stock Options/Restricted Shares/ESOPs**

Although it is unlikely that you will receive stock options or restricted shares (which are usually reserved for executive management), another similar stock instrument you may have access to would be an ESOP, or Employee Stock Ownership Plan. While different from true stock options (you usually have to buy the stock at regular intervals at the prevailing market price), it gives the advantage of buying company stock at a discount from market value. Although the discount varies, it is usually in the 10 to 15 percent range, which means you make an immediate 11 to 17 percent profit (since you are buying at a discount). The stock purchase is often free of broker commissions or fees. Some companies will allow you to sell the stock commission-free through their designated investment banking firm. Many will also allow you to reinvest your dividends commission-free to buy more stock. It is an excellent benefit and you should immediately sign up for the maximum allowable (usually 5 to 10 percent of your base salary). You should, however, be careful to periodically balance your overall investment portfolio to reduce your risk and exposure to any company, including your own. You can usually sell ESOP shares either immediately or after a set period of time if you are seeking to diversify.

- **Tuition Reimbursement**

An especially important perk if you plan to pursue an advanced degree during your evening and/or weekend hours. Consider what types of coursework are covered, the tax impact of the benefit (usually the IRS will consider the benefit tax free only if you are studying within your current field), how the benefit is paid (some companies pay 100 percent for an "A," 75 percent for a "B," etc.), and the yearly maximum.

- **Health Clubs**

As part of the trend toward taking care of all of your worldly existential needs, some companies now offer free or reduced-rate memberships in health clubs. Some larger companies even offer on-site facilities so that you can work out in the morning, at lunch, or after work without having to leave the company location. It is a nice perk, depending on whether the facilities meet your personal needs.

- **Dependent Care**

As companies adjust to the work force of this decade and beyond, they are examining the role of providing dependent care for their employees. This can include providing on-site child care facilities or allocating specified amounts for child care and elder care. Some companies, while not paying directly for these costs, will offer programs for allocating funds for these expenses from pretax funds. Although this

benefit may not mean much to you now, probably one of the very best benefits to have is the ability to drop off your kid(s) next door to work in the morning, have lunch with them, and take them home with you in the evening—welcome to parenting in the new millennium.

- **Employee Assistance Programs**

Some companies have a formal program designed to aid employees in need of assistance. While this can sometimes be for mainstream needs (such as financial planning and tax assistance), it can also include drug/alcohol counseling and other types of crisis support. Just one more way to let you know that you are not on your own when you are in need of help.

- **Overtime/Travel Premiums/Comp Time**

Paid overtime really makes a difference when you're working fifty to sixty hours per week. While salaried employees are usually not paid overtime, some companies will compensate for time above and beyond an expected standard (usually forty hours per week). This can take the form of overtime or bonus pay, a premium above and beyond standard pay for hours worked at out-of-town locations, and/or comp time (which converts extra hours worked into extra time off).

- **Parking Reimbursement**

This often overlooked perk can amount to a great deal over time, especially if you will be working in one of the high-cost parking (and living) cities such as New York, Chicago, or Los Angeles.

This \$50–\$100/month tax-free benefit can easily amount to \$1000– \$2000/year in salary equivalence.

- **Commuting Cost Reimbursement**

Few companies will pay you for the actual commuting in your car to and from the office. However, some companies in high traffic/smog congestion areas will provide company van service, a car pooling allowance, or commuter train/bus allocations to encourage their employees to use environmentally friendly means of transportation.

- **Expense Reimbursement**

Almost all companies will pay you for authorized direct business-related costs that you incur. However, how that cost is calculated often differs, with you picking up the difference. For example, using your car for business travel (above and beyond your standard commute) might be covered at anywhere from eight cents to forty cents per mile. That ends up being quite a difference if you are racking up the miles. Also, items such as business entertainment may only be reimbursed up to 80 percent. So if your job requires incurring business expenses, know what will be covered and to what extent.

- **Mobile Phone Reimbursement**

Does your new job require you to carry a mobile phone? If yes, they may also offer to pay your mobile phone bill. This can be another substantial perk, especially when you have been picking up the entire bill on your own. Some companies will only pay a certain amount or ask you to account separately for personal minutes. If you keep your personal use low and cover the costs when used for personal calls (or call during free minute periods), you can usually drop your personal phone and have the most or all of the expense picked up by your new employer.

Cost-of-living Comparison

Is an offer for \$50,000 in New York City better than a \$30,000 offer in Des Moines? While there are a variety of cost-of-living comparisons available, one of the best is provided on the Web at CollegeGrad.com:

www.CollegeGrad.com/salaries

This cost-of-living calculator will allow you to compare the actual cost of living in over one thousand cities throughout the United States, giving you a better understanding of the true value of your offer. You simply select the base city, enter a salary, then a target city. The salary calculator will respond in seconds with the comparable salary in the target city. You will find yourself playing out several "what ifs" throughout the country at this very well designed site. You can also review salaries for over one thousand different occupations at CollegeGrad.com.

And in answer to the original question, \$30,000 is worth more in Des Moines than \$50,000 in New York. But New York is a lot more fun than Des Moines. But Des Moines has way more cows than New York. So it all evens out in the end.