



## TenStep Supplemental Paper

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### **When Should You Take Less Money for a New Job?**

During the go-go days of the nineties, it seemed like all you had to do if you wanted a higher salary was to leave the company you were with and join another one. The marketplace was so hot for people that companies were bidding for new talent. You were able to get a new career opportunity and get a pay increase as well. What could be better?

There are always people that feel the need to leave their current company for greener pastures. Sometimes people leave because of a bad situation with their current employer. Sometimes it's because they are bored. If you find a better career opportunity that also pays more money, your decision might be relatively straightforward. However, many of you have also discussed opportunities with another company, only to find out that the new position pays less than your current salary.

#### **First, make sure you are comparing apples to apples**

Of course, when you look at a new opportunity, you have to look at the totality of compensation, not just the starting salary. This comparison needs to take into account the following:

**Cost of living.** If you are moving between cities, you need to understand the differences in the cost of living. If you are leaving a job in San Francisco and taking a job in Atlanta, it probably makes sense that the compensation package will be less. In fact, your compensation may be quite a bit less, but your actual living standard can be better or the same.

**Taxes.** State and local taxes can make a difference in the compensation you are willing to accept. If you are moving from a high tax area to a low tax area, you may be able to take less money and still be even.

**Total compensation.** You need to make sure that you compare the entire compensation package. Some companies may pay a lower salary, but they may have a much better benefit package. One job may have a lower base salary but an opportunity for a higher incentive bonus.

#### **Should you take less money on an apples-to-apples basis?**

The previous paragraphs were meant to level the discussion. The question of whether you should take less money for a better opportunity should already factor out the cost of living, taxes, benefits, etc. Now let's say that you are actually looking at a pay cut when comparing a new opportunity to the one you have now.

If you look at surveys of what motivates people, salary usually comes in at the middle or lower. Other factors, such as career challenges and company culture are always ranked higher. However, compensation may come into play a lot more when you are looking at a new job opportunity, and it is much harder to move to a new position that pays less money. However, some people do it every day. So, what other factors must you take into account? Take a look at the following list.



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**Long term career opportunities.** If you believe the long-term career opportunities are better in the new company, you may want to seriously consider taking a pay cut. This may benefit you greatly in the long run.

**Gaining new skills.** Many people look at a new job as a way to pick up valuable skills that they may not have an opportunity to acquire in their current company. For instance, you might be a mainframe programmer worried about your future, when an opportunity comes up to learn web development skills at a new company. Having a new set of skills in your personal toolkit may well be more valuable than the compensation. This does not imply that you are thinking of gaining a new skill and then leaving the new company. You may well stay with the new company for a long time. However, you may feel more secure personally with the new skills.

**Life style.** Many people would trade some compensation for what they perceive to be a better life style. For instance, some people would take less money to move to the mountains. If you live in the mountains you might take less money to live close to the ocean. Some people take less money to move to their hometowns. The point is that you cannot put a price on lifestyle, but it comes into play when you are looking at new opportunities.

**Job security.** Many people leave jobs that they perceive are not secure, and in many cases they take less money. Of course, no company is 100% secure anymore. However, if your current company is losing money or outsourcing a lot of work, you may look for another job with more perceived job security – even for less money. Most people would probably agree it is better to be working for less money than unemployed. Likewise, if your company was recently acquired, you may feel the need to look for another opportunity. In fact, you may have good reason to believe your current job is in jeopardy. However, in many cases, you are making decisions based on emotions and some level of fear. However, many people will pay a price for emotional security, including taking a new position for less money

There are also many other factors that may be a part of your decision-making process, including how well you like your current job, the opinions of your spouse and family, the perceived culture of the new company, etc.

### Summary

People change jobs every day, even when the job market is bad. It would be nice if there was some rule that every time you took a new job, you always made more money. Life would sure be swell, right? In many cases, it works out that way. However, in many cases it does not. Often, people have to decide on whether to take a new position that also happens to pay less money.

Should you reject the opportunity out of hand? Of course not. There are a number of factors to take into account once you are sure the compensation is lower on an apples-to-apples basis. Things like career opportunity and job security are all intangibles. Different people may look at the same set of circumstances and make different decisions based on what is important to him or her. Look at the tangible and intangible factors when you



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compare jobs. In many cases, the intangibles associated with a new position more than offset any tangible compensation differences. Those are the times it may make sense to change.