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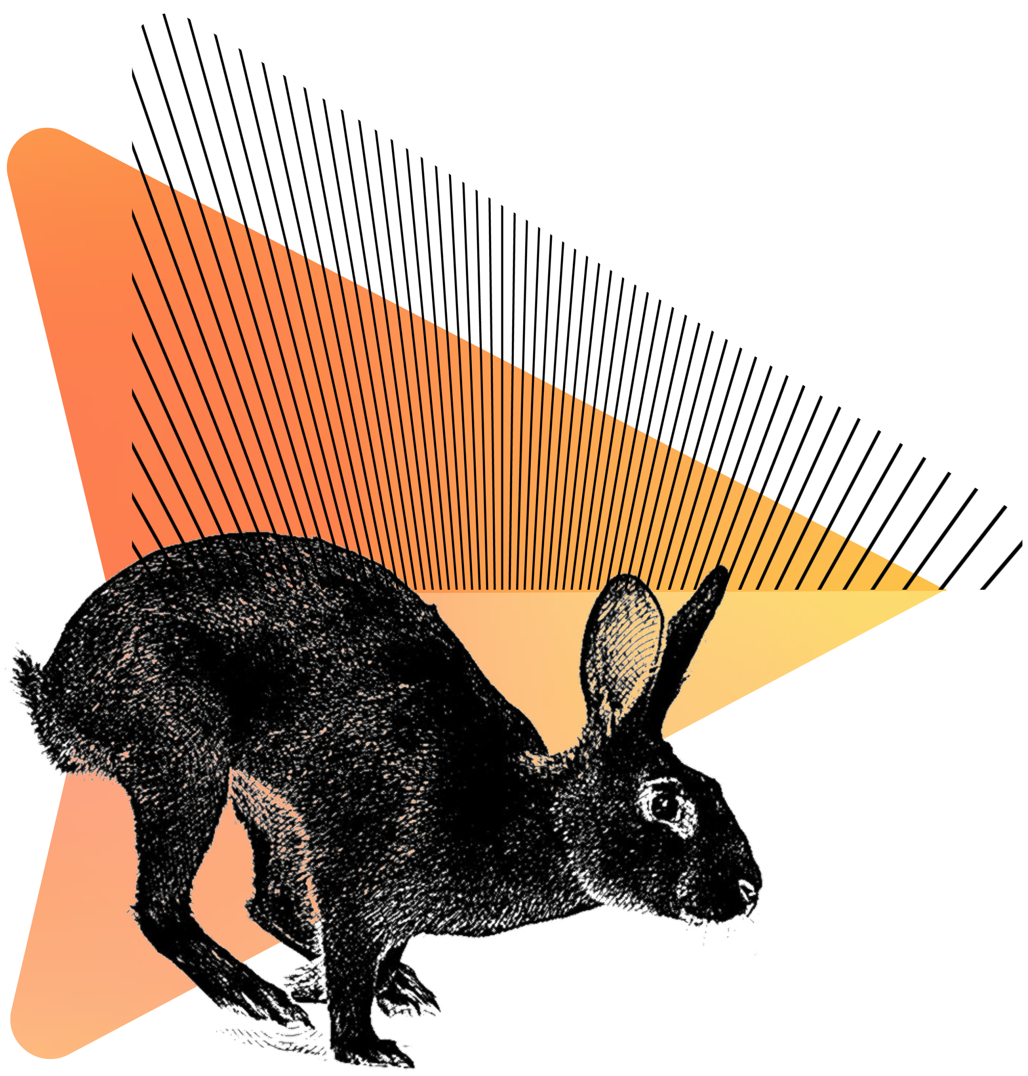

Salary negotiation strategies

Everyone in tech already knows —
but you don't

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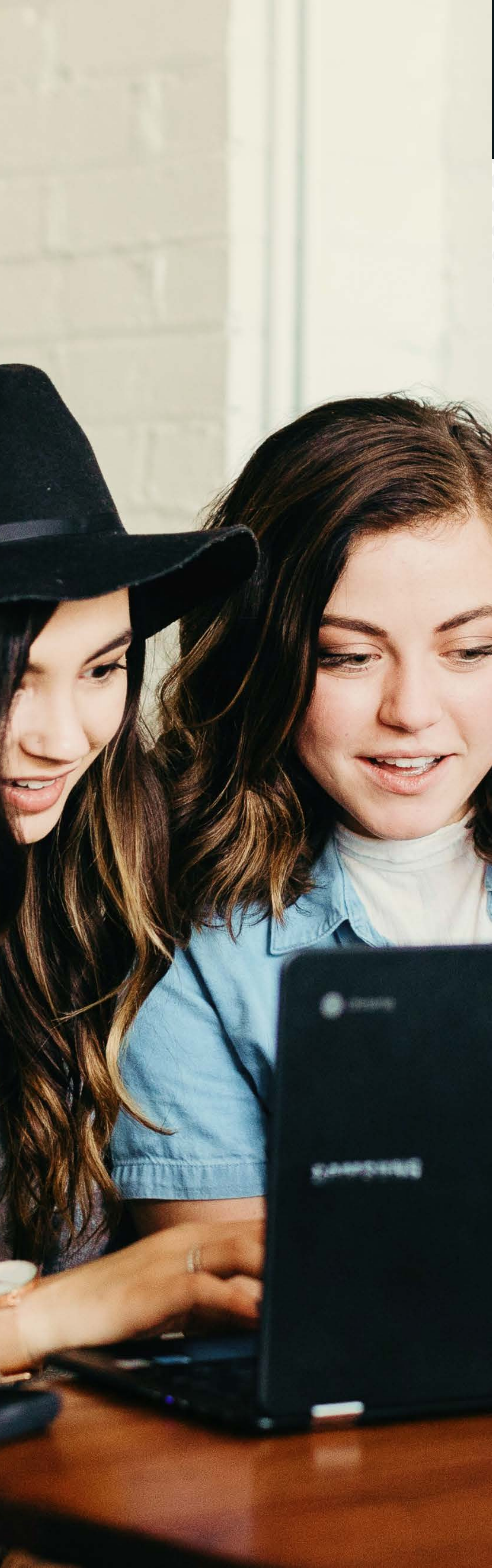
If you're not plugged in to the right social circles, you're locked out of tribal knowledge on tech compensation and it's a huge disadvantage.

Earn **$50,000+** just by asking the right way. Learn to speak the language of tech compensation.



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Understand tech compensation

First, a reality check: there's a lot of money in tech. New grads at big tech companies will routinely earn $150k+ starting salary. With a bit of work, you can reliably achieve $500k total comp, even as a frontline individual contributor.

Millions of dollars change hands in salary negotiation — you owe it to yourself to understand compensation.

There's a lot outside of salary that forms your total compensation package. Your "total comp" includes at least:

Base salary

The sale of RSUs could result in a significant tax liability, if not planned correctly.

Annual bonus

Evaluate the company pragmatically using metrics and data.

Equity

Consider how much you can stand to lose if the stock dipped.

Signing bonus

Fear of missing out is a psychological bias that can cloud your judgment.

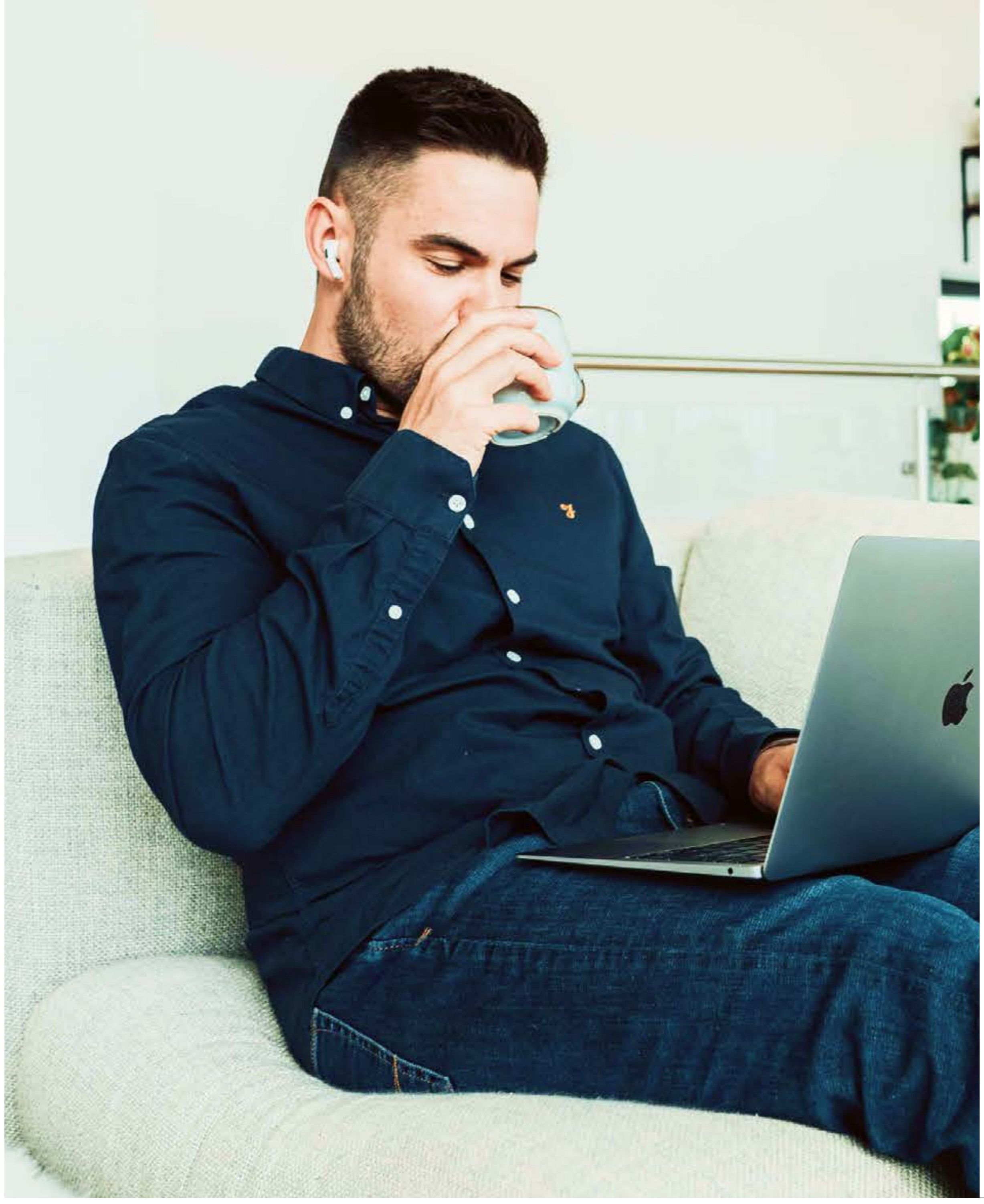
Benefits

If RSUs represent >10% of your holdings, consider diversifying.

Other Perks

Investing in what you know may feel safe. Educate yourself on all options.

***TIP**
This complexity exists partly to help both sides feel like they got a deal. If there's only one number to argue on, nobody walks away happy. A big part of salary negotiation is using the complexity to your advantage: knowing which lever to pull.



The biggest input that controls comp is "level", a number that express your seniority. For example, level E3 at Facebook is new grad, E4 is for hires with a few years experience and so on, up to E9 (after the first few levels, experience becomes less important).

The more expensive/higher level you are, the more complex your comp mix becomes and the more it'll skew towards equity.

***TIP**
Levels are completely non-standard between companies (e.g. an “L5” engineer at Amazon is not equivalent to an “E5” engineer at Facebook)

Understanding and valuing equity

Women earn *half the equity* men do – equity is complex and ripe for bad outcomes.

Equity is an ownership stake in the company. Your stake in the company converts to money only if one of two things happens: the company is purchased or it becomes listed on the stock market (an IPO).

An equity grant is generally for a 4 year period — you'll get X number of shares over 4 years and you'll progressively earn (or vest) over that period.

Vesting will generally be subject to a 1-year "cliff": you don't earning anything in the first year, and on your first anniversary, you vest ¼ of the shares. This formula ("4 year vest, 1 year cliff") is nearly universal in tech.

The company will never give you stock directly, because you'd have to pay taxes on it right away. Instead, companies have designed roundabout mechanisms to delay taxation. The two most common are **RSUs and stock options.**

***TIP**
Equity is complex, the Holloway guide is the best overall overview if you want to learn more.

If you were offered Restricted Stock Units (RSUs), common with larger companies:

An RSU means the company promises to give you shares whenever they IPO or sell (they're not giving it to you right away because you'd pay taxes now). This is good and the lowest risk/complexity to you. This is a future promise and because of that, it generally comes with a lot of strings attached. For example, there often are constraints on when, how, and to whom you can sell your equity.

If you were offered stock options (ISOs/NSOs), common with startups:

A stock option is the option to buy shares at a discounted price, known as the "strike price". For example, you might have the option to buy shares at $1. If, based on the current valuation of the company, the shares are worth about $1.50, your equity is worth $0.50 × number of options you have.

You're hoping the shares will be worth $10+ by the time you leave: the wider the gap, the better. The strike price is frozen when you join and you only have to decide whether you want to buy shares when you leave.

To emphasize, you need to spend money to get shares. That can easily cost you 10s or 100s of thousands when you leave — even if you're getting a great deal on the shares, this may or may not be money you have lying around.

Stock options are generally more volatile than RSUs but are considered preferable because if you play your cards just right, they have big tax advantages. The tax implications are intricate and you should absolutely speak to a tech-focused CPA if any meaningful part of your compensation is stock options.

When a company offers you equity, they'll quote you a value: X,000 shares over 4 years, "which is worth $X00,000." (if they don't, ask)

That value is based on what investors have paid for the company in the last financing round. If the latest investors paid $1M for 1% of the company, the company's valuation is $100M and therefore a 0.1% stake is "worth" $100,000.

For a public company listed on the stock market (Facebook, Amazon, etc.)

You'll be able to sell your shares directly on the stock market. There's some restrictions (for example, lockout periods: you'll only be allowed to sell certain weeks of the quarter), but the shares are basically as good as cash.However, the value of the shares will vary a lot throughout your tenure. It's as if a good chunk of your salary is forced to be invested in one stock — it's probably not what you'd do if you had a choice and that lack of diversification is worth something. At Candor, we value equity in a public company at about 80-90%, depending on how much you believe in the company will do on the stock market in the next few years.

For a growing, successful pre-IPO company (Airbnb, Stripe, etc.)

For a successful, high-growth company with prominent investors, you can reasonably expect your equity will be worth something, at some point. Regardless, it'll be years before you see any money. Consider the equity as worth 60-90% of the quoted value, depending on how much you believe in the company, how far along they are and your risk tolerance. Also, keep in mind your chances are good, but there's no guarantees.

For a mature company that's clearly on track to IPO (Doordash, Airbnb, etc.):

You probably should prefer equity over cash. Being an employee is one of the few ways a mere mortal can get equity. If you believe in the company's prospects and don't need immediate liquidity, consider valuing the equity at 100-130% and negotiating for more equity over salary.

For a young startup

Assume you'll be bad at picking the right company — you're worse than professional investors in basically every way: they have more experience than you, they have more information and plus they have a chance to diversify. And yet even the professionals do very poorly: easily 50-80% of early VC investments will never exit for anything meaningful.Treat your equity as a lottery ticket. Disregard any $ value the recruiter might have told you and be ready to live 100% on the base salary. Think hard if you're ok with that.
You do have one advantage: you'll get an inside look at the company. If you join an early stage company where a substantial part of your compensation is equity, your job is to figure out whether this company will make it and be ready to leave promptly if you don't think you can shift the trajectory.

In all cases — congrats! Whether you like it or not, you're now a startup investor. Investor Harj Taggar has some tips on how to pick the right company.

2

Figure out your worth

Don't accept a lower salary because "you don't really need the money" — what you're paid has nothing to do with your costs.

Similarly, negotiation arguments around your life costs (mortgage, student debt, etc.) will be unconvincing to recruiters. Your skills have a market value, what you do with that money has no place in the compensation conversation.

Please, please, don't rely on Glassdoor

Payscale, Glassdoor, Comparably — they're all wildly inaccurate for tech. These sites heavily mistreat equity (a major component of tech compensation) and are often very out of date. It routinely causes people to accept less than they deserve.

***TIP**
Compensation is generally lower for startups/pre-IPO companies (primarily due to equity). It's lower for non-technical roles, outside major tech hubs and considerably lower outside the US (e.g. EU).

Your options:

H-1B visa filings are authoritative, but only have base salary

AngelList is a good reference for both base and equity for startups

Triplebyte has high quality data for technical roles at startups (base only)

Blind is helpful for big tech companies

Unfortunately, the best and most up to date information is a moving target but common knowledge among HR professionals. The easiest way for you to tap into that is through third-party recruiters — they'll gladly take your call.

3

Ask the right questions

First, delay the salary conversation until both of you are convinced this is the right job. Never, ever share your previous salary. In California and many other US states, it's illegal from an employer to ask about your current salary.

They can still ask about your salary expectations or salary requirements (and often will early in the interview process), respond politely but firmly that you're not comfortable sharing at this stage.

Every employer will ask about expected salary and every experienced professional knows to not answer. This is a standard part of the hiring dance, don't be afraid to stand your ground.

What salary are you looking for?

I think it's a bit too early in the conversation to discuss that, I need to learn more about the team and would love to discuss when we get closer.

Well Erica, I want to make sure I don't waste your time. Can you give me a range?

I'm certain we'll be able to come to a good agreement if there's a mutual fit, but it's really too early to tell.

At some point later, the recruiter will let you know they would like to extend an offer and they'll schedule a call. It might not be made explicit, but this is the money conversation. For us, this is going be a fact-finding conversation.

Hi Erica! The team was very excited to meet you and I'd love to share the details of your offer: $125k base, $300k RSUs (over 4 years) and $20k sign on bonus.

Really excited about the team! Thank you for the offer. I'll need time to review this, can we speak in a few days? In the meantime, I have a few questions for you.

Sure! Go ahead.

That's it.

Share your excitement about the new job, but control every urge to react to the numbers, share your previous salary, argue or try to make your case. If the salary offer is higher than you expected, don't act surprised or let it come across.

Our goal is to collect information and retreat to a place where we analyze all the details with a cool head. Follow up with these questions:

What level is the job offer?
What are the requirements for this level vs. the level above it?

What is the salary band for this level?
This is 100% completely reasonable thing to ask. In California, an employermust legally provide this if asked.

How much is the equity worth currently?
You can also ask: what percentage of the company does the equity represent? What is the valuation of the company?

What is the vesting schedule?
Is there a 1 year cliff? Are there quarterly vesting deadlines I should know about? Confirm whether the equity was quoted to you on a yearly basis or over 4 years.

For options: what is the strike price?
(the price you'll pay for the shares) How long after leaving do I have to exercise the options?

4

The salary negotiation

Remember—

The company just spent 10s of thousands finding you, vetting you, etc.
They've wasted time wading through a glut of unqualified candidates.
The recruiter has quotas to fill.
The hiring manager needed the job filled months ago and now, finally, they have you.

Everybody wants this deal to happen.

Determine if the level is right

The biggest lever that controls compensation is level. Each level has a salary range and they overlap: if level 4 is $125k-$155k, level 5 might be $145k-$160k. There are seperate bands for base and equity.

However, a higher level isn't just a free higher salary: it comes with higher job expectations. It's better to be on the high end of lower level band. You should target a level you're confident you can be promoted within 1 year and target the higher end of the band.

Would love to understand levels a bit more — what distinguishes an L7 over an L6?

L7s are generally people who've led any-wide projects with many cross-functional partners and executive visibility.

Later

Hi Mike — can we revisit the offer level? In my current role, I lead a major company-wide infrastructure redesign with regular checkins with the CTO. It really seems like L7 might be a better fit and would help set me up for success.

Can you tell me more about your responsibilities? I can speak with the hiring manager Monday.

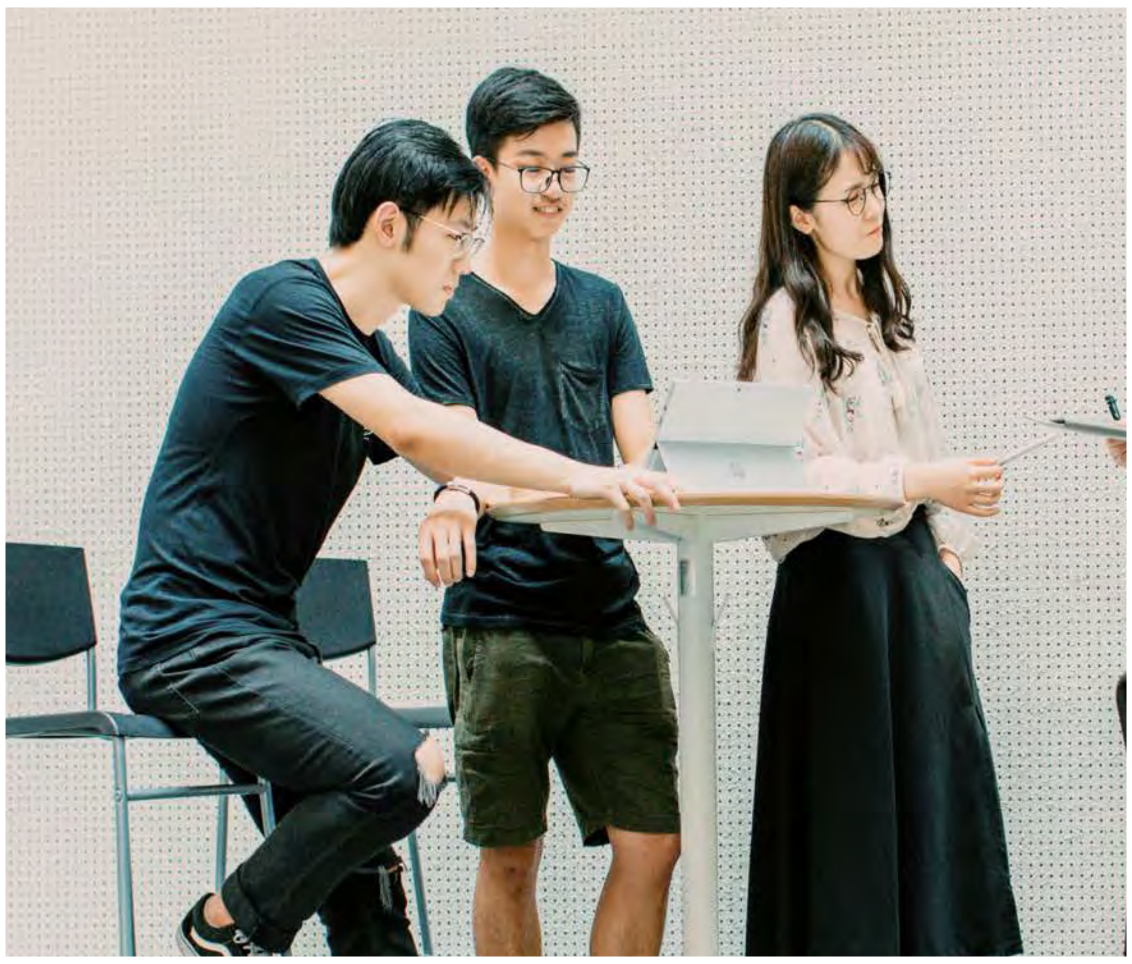
However, if you're speaking to a major tech company (Facebook, Google), it'll be quite difficult to move your level, especially for technical hires. Level is generally set independently by a hiring committee based on your "packet".

The committees tend to be very conservative and would rather you join at a lower level and promote later.

For smaller companies and especially non-technical roles, you'll have more leeway: leveling is loosely based on you work experience and your previous level/seniority.

If you want to move your level, master the art of listening carefully and repeating. Earlier you asked the recruiter about the qualifications required for the level, when you ask about about a level change clearly connect it to the requirements laid out by the recruiter.

***TIP**
For technical roles, your performance on the system design interview is particularly important for leveling.



Negotiate for the upper end of the band

Once you're convinced level is right, you need to negotiate compensation. Target a total compensation number that's in the **upper half of the band** for your level.

Once you have your number in mind, be **firm and specific.** Only negotiate if you mean it: you should be genuinely willing to commit if the other side can get to your number. If you still have reservations about the company, deal with that first: you're not ready to negotiate.

The most reliable way to get more money is through competing offers. Consider interviewing with your 2nd or 3rd tier choices or getting a counter-offer from your current employer.

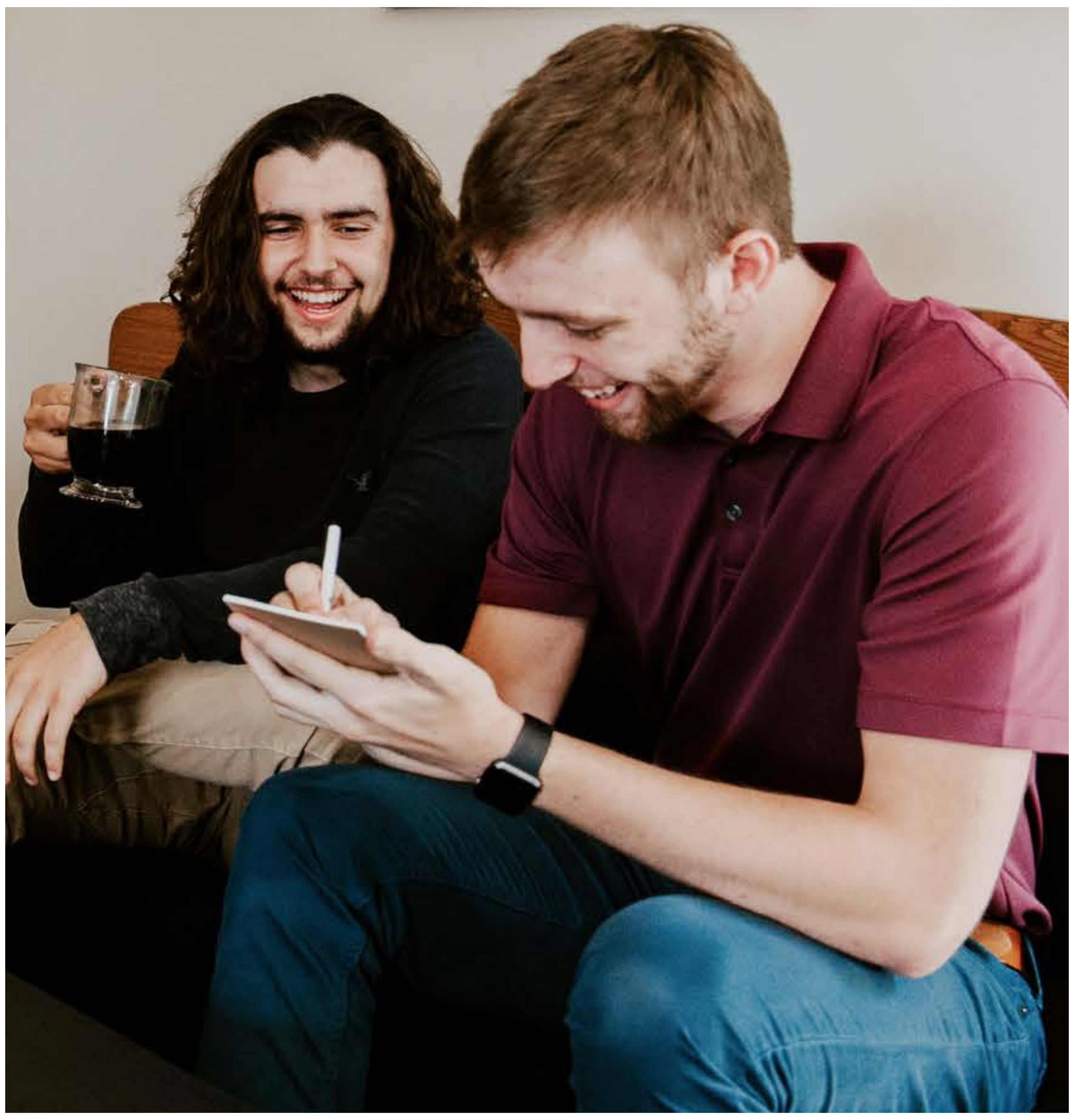
It's sometimes even possible for recruiters to make offers above the upper bound of the band, but that generally requires additional level of approval only granted to candidates with strong competing offers.

If you can't get what you want, offer to shift between compensation components but don't back down on total compensation. In order of difficulty: base salary, equity, signing bonus. Offer to shift some base to equity first and as a last measure, ask for a larger signing bonus.

Email the recruiter and say you've had a chance to think through the offer and would love to discuss. They'll schedule a phone call.

***TIP**
Never bluff about having a competing offer. Recruiters are very finely attuned to compensation at other companies and will know if you're lying.

***TIP**
Never negotiate over email: email is not how you get the other person to go the extra mile.



The playbook

Open by emphasizing just how excited you are about the team and the role: it's very important that you communicate that you're a serious buyer.

Then, set a clear total comp goal. When you get pushback on a particular comp mix, always come back to the total comp number.

Good salary negotiation isn't an adversarial game of counter-offers — make it clear you're a team working together to overcome a common hurdle.

Move downwards from salary, equity, signing bonus until you can put together a comp mix that hits your total comp. If you can't, be ready to walk back, continue interviewing and follow up over the next few days. Time can help you get more leverage.

Mention you have other job interviews lined up, but you'd really love to join the company. Make it clear that if the recruiter can get your total comp number, you're in.

Hi Mike — really excited about the team, loved meeting everyone. In terms of total comp, I'm looking for something closer to 250k. Would you be open to a base of $150k?

Well. This is the most we can do for this position, it's a fairly junior role.

I don't think I can do it at the current level — $250k is what I'd need to be able to sign. Can you be more flexible on equity?

Hmm...

How about $20k more equity, the rest as a signing bonus? That would get us to $250k.

That's going to be tough but I can see what I can do.

Ok, I understand. I'm ready to sign if we can get to that number.

Follow up with an email.

Subject: Next steps

Hi Mike,

Incredibly excited about the role. Summing up our chat: you mentioned you'd look into additional equity and a signing bonus. Would love to be able to get us to $250k total comp.

I have an onsite with Facebook next week but would love to be able to commit to this. Let me know when you hear back.

If you don't hear back, followup after a few days. Make sure to keep the relationship warm. At some point, the recruiter will likely schedule another phone call.

Hi Erica — had a chance to speak to my compensation analyst. We can do $15k extra equity a year.

Amazing! Thank you. Can you do a $50k signing bonus? That would get us to $250k.

I think that's doable.

Awesome. I'm in. Can't wait to start! Please send me the offer in writing, I'll sign it immediately.

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